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THE ECONOMY OF TAIWAN

By Professor E. Stuart Kirby

The most fundamental feature of Taiwan from the livelihood point of view, is the large and growing population, relative to the natural resources. The population has doubled since 1930.

TABLE I. Population (in thousands) (excluding armed forces and aliens) ⁽¹⁾			
	Male	Female	Total
End of 1953	4,327	4,111	8,438
" 1954	4,487	4,262	8,749
" 1955	4,647	4,431	9,078
September 1956	4,747	4,563	9,310

The land area concerned is 35,961 square kilometres only. The arable area is relatively small, being just about one quarter of the whole, viz., 899,000 hectares.⁽²⁾ The total area actually cultivated has in fact tended to decline slightly over the last four years. This represents some encroachment of industrial utilization, and military uses, on the countryside. However, much reclamation from the sea, river and wasteland is in progress, which has yet to yield results.

The ratio of cultivated land to population has thus tended to fall; and not only the ratio of cultivated land to the total population, but also its ratio

to the farm population. The pressure is towards still more intensive cultivation in the countryside, while problems of urbanization acutely affect the towns and cities, large and small.

TABLE II (a). Density of population
(Persons per square kilometre of total area)

At end of 1953 :	234.6
" " " 1954 :	243.2
" " " 1955 :	252.4
" " " 1956 :	258.8

TABLE II (b). Ratio of population to cultivated area (in hectares) ⁽³⁾

	Total Cultivated	Per capita of total population	Per capita of farm population
1951	873,871	0.1110	0.21
1952	876,100	0.1080	0.21
1953	872,778	0.1034	0.20
1954	874,097	0.0999	0.19
1955	873,002	0.0961	0.81

The agricultural population has however remained stable; what has happened is that the increase in working population has been absorbed in the growing industry, in tertiary occupations, and by the extension of education.

TABLE III (a). Distribution of gainfully occupied population (in thousands) ⁽⁴⁾

	1930	1953	1954	1955
Agriculture and fishery	1,212(68%)	1,812(63%)	1,812(60%)	1,812(60%)
Industry Manufactures	152	234	251	258
Mining	24	37	38	38
Transport and communications	53	68	77	80
	229(13%)	339(12%)	366(12%)	376(12%)
Other occupations	319(19%)	744(26%)	821(27%)	838(28%)
	1,790(100%)	2,895(100%)	2,999(100%)	3,026(100%)

"Other occupations" here includes commerce, the professions, government and service trades. The largest of these categories is now "personal services". Only 15,000 people, or less than 1% of the population, were thus engaged in 1930; nearly 9% in 1955. "Commerce" has remained stable in absolute numbers, therefore declining as a percentage of the total population, in the recent period of progress in industrialization (from 12% in 1930 and 10% in 1940 to 8.5% in 1955). The remaining categories in this group are "government service" and "liberal professions". In this connection we must refer particularly to one of the legends persistently propagated in Communist references to Free China, and uncritically echoed by other commentators throughout the world. This is the exaggerated representation of the Taiwan Government as gigantically bureaucratic, which is borne out by the facts. The two categories Government and professions were combined together in the censuses of the period of Japanese rule, when together they represented 5% of the total gainfully occupied population. Government service is now different in kind, in a new era of national planning for economic construction and social progress, in which special controls also operate because the civil war against the Communists continues, and includes some of the services previously listed as privately professional; even in these conditions it represents, however, less than 6% of the employed population,

while the numbers in the "liberal professions" have risen to nearly 3%. Particulars of this group are as follows.

TABLE III (b). Government, professions, trade and services
(thousands of persons gainfully employed) ⁽⁴⁾

	1930	1953	1954	1955
Commerce	213 (12%)	251	251	253 (8%)
Personal Services	15 (1%)	226	252	269 (9%)
Government Service)	87 (5%)	119	179	179 (6%)
Liberal professions)		75	81	86 (3%)
Others	3	73	58	51
	319	744	821	838

The *rate of increase* of the population is a striking feature, the implications of which have to be especially stressed in all planning and policy. The rate of natural increase is one of the largest in the whole world. Though the birth-rate is falling, the death-rate falls relatively faster.

TABLE III (c). Increase of Population ⁽⁴⁾

Total Population (000s)	Birth-rate (per 000)	Death rate (per 000)	Natural increase (per 000)
1951 7,869	50.0	11.6	38.4
1952 8,128	46.6	9.9	36.7
1953 8,438	45.2	9.4	35.8
1954 8,749	44.6	8.2	36.4
1955 9,079	45.3	8.6	36.7

Incidentally, it must be remarked that the census data appear reliable in Taiwan; and censuses have taken with unusual frequency, viz. almost quinquennially, in 1905, 1915, 1920, 1925, 1930, 1935, 1940, 1949 and 1956. Thus Taiwan is an especially valuable field for Chinese demographic studies.

Education

Education is being rapidly advanced. Though just over one-third of the population is illiterate (defined as unable to read more than 60% of a standard vocabulary of the 800 most common characters), nearly one-half have primary education and about 12% have higher education. In the present writer's personal observation, standards of general education compare very favourably both with those of the Japanese colonial period and those of Mainland China, as does the general standard of living.

TABLE IV. Education ⁽⁴⁾

(Persons of six years old and over)

	1949		1955	
	000s	per mille	000s	per mille
Illiterate	2,679	441	2,655	379
Primary education	2,479	408	3,285	469
High School	430	71	673	96
Higher education	68	11	116	17
Other (private teaching, etc.)	425	70	275	39
	5,081		7,004	

Agriculture

Rice (two crops a year) occupies more of the total cultivated area than any other product, and sweet-potato is the next largest crop by area.

TABLE V. Chief crops (area in 000 hectares; output in metric tons) (5)

	1954		1955		1956
	Area	Output	Area	Output	Output
Rice: first crop:	353.6	—	306.2	—	—
second crop:	423.0	—	444.6	—	—
	776.7	1,695,000	750.7	1,615,000	1,787,000
Sweet potato	247.6	2,551,000	245.5	2,437,000	2,562,000
Sugar cane	96.0	614,000	79.0	610,000	814,500
Groundnuts	94.0	65,868	96.0	66,572	81,100
Vegetables	79.0	—	78.8	—	—
Tea	41.4	13,000	42.8	14,680	14,500
Soya beans	30.0	20,310	34.5	24,151	25,000
Citronella	19.8	—	13.8	—	1,530 (b)
Bananas	12.5	98,000	14.8	—	58,000 (d)
Jute	11.2	—	15.2	—	17,470 (d)
Wheat	11.1	—	12.8	—	27,100 (a)
Tobacco	5.6	—	6.2	—	15,200 (c)
Pineapples	5.5	65,567	5.7	70,537	74,750 (a)
Citrus fruits	4.8	—	5.2	—	36,500 (a)

(Notes: (a) final year-end estimate. (b) Oil: cf. 1,460 in 1952. (c) cf. 8,700 in 1952. (d) Confirmed actual output).

The forest areas are large, representing rich reserves, which are developed and conserved. The total area of forest land is nearly 2 million hectares, with a timber reserve of over 225 million cubic metres.⁽⁶⁾ Production of timber is running at 480,000 cubic metres per annum.

Fisheries output rises rapidly; from just over 150,000 metric tons in 1954, it rose to over 180,000 in 1955, and 195,000 in 1956.

Minerals

Taiwan has some endowment of coal, petroleum and other minerals.

TABLE VI. Mineral Resources and Output (7)

	Reserves	Output		
		1954	1955	1956
Coal (000 m.t.)	670,000	2,118	2,359	2,550
Petroleum (kilolitres)	89,000	—	—	856,000*
Natural gas (mn.cu.m.)	23,500	—	—	—
Copper (000 m.t.)	6,300	—	—	2.4
	(1-8% content)			
Pyrites (000 m.t.)	700	24	29	30.6
	(1-30% sulphur)			
Sulphur	—	—	—	8.3
Marble (000 m.t.)	20	—	—	—
Salt (000 m.t.)	—	370	421	305

(Note: * Including refinery output, from imported fuels).

The above particulars give some idea of the essential basis on which Taiwan's problems of livelihood and development have to be tackled. The population is large and rapidly growing; the resource basis is essentially narrow in comparison, though it is being energetically and effectively utilized.

Electric power is one of the most important means of transformation of the country. A large and well planned electrification programme is being successfully advanced, making electricity cheap and

widespread in the island. There is no space to give details on this subject here. The installed capacity and output have recently been as follows.

TABLE VII. Electricity (8)

	Capacity (August 1956) (000 KW)	Output (mn. KWH)	
Hydro	378	1954 :	1,805
Thermal	142	1955 :	1,966
	520	1956 :	2,250

Transport

The efficiency of the Taiwan economy is largely due to the availability of railways on a fairly adequate scale. They are however of narrow gauge, and largely single-track. Moreover, they are severely overworked and run down, and the problem of replacements and renewals is an acute one. The installations are of the Japanese types.

There are just over 4,500 km of railways altogether, i.e. about 1 km of track per 8 square km of total area, or just 0.5 km. per 1,000 persons of population.

There are 14,800 km. of highways, i.e. 0.4 km. per square km. of area, or 1.6 km. per 1,000 of population.

These ratios compare favourably with those found in Mainland China, or in Asian or under-developed countries generally.

There are 99 ships, with a gross tonnage of 278,000.⁽⁹⁾ The island has only two notable ports. Keelung in the north has about 3,300 metres of deep-water wharves, capable of accommodating 15 vessels of 3—20,000 tons. Kaohsiung in the south has now an equal amount of wharf-space, and can take 21 vessels of 1—20,000 tons.⁽¹⁰⁾

TABLE VIII. Transport

	(Unit)	1954	1955	1st half of 1956	Production 1952	Original goal 1956	Revised goal 1956	Actual output 1956
Railway freight	(mm. ton/kms)	1,469	1,727	908	Copper (000 m.t.) ..	0.7	1.5	2.3
Road	(" " ")	129	156	75	Pulp (" ") ..	5.4	Not set	20
Shipping	(mm. ton/miles)	8,125	6,513	3,920	Aluminium ingots (000 m.t.) ..	4	" "	7
Port loadings	(000 tons)	1,283	1,651	886	Plate glass (000 cases) ..	—	" "	140
" unloadings	(" ")	1,884	2,090	1,011	Steel bars (000 m.t.)	16	" "	60
Railway passengers	(mn. passenger/kms)	2,229	2,549	1,405	POL Refinery (000 kl) ..	297	" "	830
Road	(mn. passenger/kms)	1,679	2,037	1,158	Cement (000 m.t.) ..	446	" "	560

Economic Development Plans

The draft First Four-Year "Plan" of Economic Development was completed in October 1952, to run from January 1953 to December 1956, as a general development programme. The draft was tentative at first; by the autumn of 1953, more complete and accurate data were obtained, and production goals were revised, for fisheries, forestry, animal husbandry and irrigation. In subsequent years, the "goals" were revised from time to time, in the industrial as well as the agricultural aspects; in the latter, the revision was mostly downwards, in the former mostly upwards. The Economic Stabilization Board of the Executive Yuan took over the planning functions, while the implementation of the programme was in the hands of the respective Ministries and Departments.

In agriculture, the aim was to increase the output of export crops, rice, sugar, tea, pineapples, bananas, oranges, citronella oil—and also "import replacers"—wheat, peanuts, beans and jute—by improvement of methods at every stage of production and distribution. On the industrial side, main emphasis was on the increased output of electric power and fertilizers, followed by such items as coal, pyrites, copper, sulphur, cotton yarn, gunny bags, salt, chemicals, oil products, timber, etc.

Quantitative results were broadly satisfactory, despite the incidence of typhoons etc., in the agricultural sector, and procurement difficulties, etc., in the industrial sector. 1956 figures below are the final year-end estimates.

TABLE IX. First Four-Year Plan (11)

(in 000 metric tons)

	Production 1952	Original goal 1956	Revised goal 1956	Actual output 1956
Agriculture:				
Overfilled:				
Sugar cane	614	665	730	815
Citrus fruits	30	42	36	37
Citronella oil	1.5	0.9	1.2	1.5
Wheat	16	31	21	27
Tobacco	9	9	15	15
Fish	122	Not set	170	195
Underfilled:				
Rice	1,600	1,850	1,850	1,787
Sweet Potato	2,100	2,625	2,580	2,562
Tea	12	15	14	14
Pineapples	43	109	81	75
Bananas	120	120	84	58
Peanuts	58	90	89	81
Beans	13	28	28	28
Jute	21	21	18	17

Industry:**Overfilled:**

Copper (000 m.t.) ..	0.7	1.5	2.3	2.4
Pulp (" ") ..	5.4	Not set	20	21
Aluminium ingots (000 m.t.) ..	4	" "	7	9
Plate glass (000 cases) ..	—	" "	140	162
Steel bars (000 m.t.)	16	" "	60	68
POL Refinery (000 kl) ..	297	" "	830	856
Cement (000 m.t.) ..	446	" "	560	574

Underfilled:

Electric power generation (mn. KWH)	1,420	" "	2,450	2,250
Electric power capacity city (000 kw) ..	329	530	520	520
Fertilizer (000 m.t.)	132	452	197	192
Coal (000 m.t.) ..	1,700	2,500	2,800	2,550
Pyrites (000 m.t.) ..	6	30	35	31
Sulphur (" ") ..	4	6	10	8
Cotton Yarn (000 bales) ..	71	109	151	137
Cotton cloth (mn. sq. yds.) ..	72	109	134	130
Gunny bags (mn.) ..	7	10	13	12
Salt (000 m.t.) ..	300	450	320	305
Lubricants (000 k.l.) ..	4	21	Not set	—
Lumber (hinkoki) (000 cu. m.) ..	190	220	—	—
Paper (000 m.t.) ..	24	Not set	" 47	42
Canned pineapple (000 cases) ..	455	" "	1,200	1,000
Flour (000 m.t.) ..	16	" "	176	150
Electric clocks (000) ..	—	" "	150	120
Bicycles (000) ..	4	" "	55	37

National Income. In National Income terms, the First Plan was more strikingly successful. The improvement in living and consumption standards is obvious to the most casual visitor to Taiwan. The basic calculations of the Plan in this respect were to increase the total National Income by 11%, increase industrial production by two-thirds, increase agricultural production by 17%, to ensure a general balance in the economy—balance of imports and exports, and external payments, and internally a balance budget (with 30% of the increase in National Income taken up in taxes by the Government) and a balance of production and consumption—without dependence on United States economic assistance thenceforward.

The National Income in 1952 was NT\$807 mn., inclusive of U.S. Aid. Under the original Plan, this was to be increased by 27%, to NT\$1,026 mn., excluding U.S. Aid. Owing to population growth and inflation, however, this would represent no increase at all in National Income in per capita terms (the population rose from 7.4 mn. in 1949 to 9.3 in 1956). In the actual outcome, a 42% increase in total National Income was achieved in the period: at the currency value of 1937, the 1952 National Income was (NT\$mn) 719, the 1956 one 1,020.⁽¹²⁾

The foreign exchange budget shows a much less favourable result. But the main reasons are as follows. Export availabilities have been less than expected, owing to rising standards of living and home consumption. Export markets have been irregular and uncertain, and the terms of trade generally unfavourable, so that, though exports in various items have increased in volume, export earnings have fallen short of expectations. Thus the external balance is still being made up by U.S. Aid. But the total deficit is the same as in 1952.

TABLE X. Exchange Receipts and Expenditure
(in mn. U.S.\$) ⁽¹³⁾

	1952	1956 Plan	1956 Actual
Trade:			
Imports, payments for	214	177	210
Exports, receipts for	125	156	130
Deficit ..	89	20	80
Remittances:			
Outward	17	17	38
Inward	7	9	20
Deficit: ..	10	8	18
Total Deficit: ..	98	28	98
U.S. Aid:	113	43	97

Capital formation has however been going on meanwhile to a large extent. It is evident from the above that the industrial sector was broadly more successful than the agricultural, in the First Plan; the results will shortly begin to show with cumulative effect, from both the point of view of output and inducements in agriculture, and that of the foreign exchange balance. The main foundation, that of electric power, has been very fully and firmly laid. The establishment of some large new fertilizer and chemical plants was unexpectedly delayed, owing to procurement and procedural difficulties; but these are now in being, and must now begin to play a very big part.

The Second Four Year Plan has been drawn up on this basis, but full details are not yet available at the time of writing. The interim calculations for the year 1957 give very interesting indications, as follows. The output of various agricultural products is expected to increase (percentages of increase in 1957 over 1956: rice 2.7, wheat 15.4, sugar 12, pineapples 12, lumber 41, fish 7.7, and cattle 2.8). All industrial production is to be increased, except petroleum, for which the import of crude oil is ex-

pected to decrease. The following are to increase by more than 20%; fertilizers, ceramics, electrical equipment, ships, paper-board. The following by between 10 and 20%: chemicals, metal manufactures, textiles, wines and tobacco. The following by less than 10%: foodstuffs and animal feed. Transport facilities are to be increased by about 10% in 1957. New products to be manufactured for the first time in Taiwan this year are light-duty trucks, aluminium foil, artificial fibre, nitro-phosphate and other nitrates. It is hoped to reduce the foreign exchange deficit by US\$20 mn; the U.S. Aid budget is reduced to \$81 mn.

Inflation. The problem of inflation must remain in the forefront of attention, all through these considerations. Commodity prices rose 43% in the period of the First Four-Year Plan, and the net money supply increased similarly (just under 50% from 1952 to 1956). Production increased 68% and National Income just over 100%, in the same period, at current prices; at 1952 prices, this would mean about 17% and 42% respectively. Interest rates are phenomenally high. Credit control is little developed, its main tools being simply direct "screening" of applications for bank credit, plus statutory reserve requirements. The Bank of Taiwan occupies a special, but essentially anomalous position; performing many of the functions of a Central Bank, it is also a Commercial Bank—of Provincial status. The Open Market, securities market, money market or capital market, in the textbook senses, are hardly developed in Taiwan. Expert opinion is that the proper development of the full "institutional" background is one of the most important requirements.

It is not possible to enter into this aspect specifically in the present article, which attempts only to give basic data on the Taiwan economy and its present position.

* * * *

NOTES.

(1) Provincial Bureau of Budget, Accounting and Statistics (PBAS).

(2) Estimate by Dr. C. C. Chen of Joint Commission on Rural Reconstruction (JCRR).

(3) Department of Agriculture and Forestry (PDAF).

(4) PBAS. (5) PDAF. (6) JCRR and Taiwan Fores-

CORPORATION, MANAGEMENT AND THE PUBLIC

By Kenneth E. Boulding

(Professor of Economics, University of Michigan)

A Striking fact about the corporation is its comparative youth. The modern corporation no doubt has remote ancestors in the merchants' associations and guilds of medieval times, and at least a great-grandaddy in the Hudson's Bay Company and similar associations of early capitalism. But most of the giant corporations of today were founded after 1880—that is, within the lifetime of people now living.

An institution of such youth and vigor could hardly fail to become a center of controversy. The corporation is extolled as the fountainhead of economic progress and technical improvement and denounced as an instrument of monopoly, a device by which the Scrooges and stooges of Wall Street exploit the virtuous but naive technicians and engineers, an instrument by which managers wrest the control of property from the widows and orphans who mostly own it, and as an irresponsible concentration of economic power.

Much of this controversy arises not over the corporate form of legal organization as such but over the large size of organization which the corporate form permits. All sorts of organizations—big and small, business and non-profit, religious and secular—are incorporated as a matter of legal convenience. When we think of "the" corporation, however, we are frequently thinking of "big business"—the large corporation.

The public attitude towards these giants has been determined much more by the fact that they are giants than by the accident that they are corporations. We are of two minds about giants. On the whole they have had a fairly bad press. In fairy tales they are mostly ogres. Goliath is not usually presented as a very sympathetic character. Cyclops is even less capable of inspiring affection. On the other hand, our very horror of giants probably comes from a suppressed admiration for them and a desire to be one. We admire, or may even envy, their size and the strength that presumably goes with it.

A giant, however, is nothing more than a large organization. In this sense each human person is already a giant. Most forms of life are smaller than we are; none, we flatter ourselves, is smarter or more complicated. If you or I can do more than the one-celled amoeba, it is because we are giant corporations of some ten billion cells. Within this organization there is division of labor (different kinds of cells doing different jobs), there is a communications system through the nerve fibers, and there is a hierarchy—some cells in effect tell others what to do, and in the brain there is a mysterious board of directors that sends orders (not always obeyed) to the whole outfit. The board of directors itself consists of millions of cells and dozens of

intricately meshed systems, and how we ever get along with such a monstrous committee at the top is one of the great mysteries of life.

* * * *

We often say, metaphorically, that one organization is "dead" and another is "alive." In a very real sense, organizations of people can be said to have a life of their own. Chester Barnard points out that two men lifting a stone have to act as one man: the two men together are an organization. And because they are an organization they are a "giant"—that is, they can do things which neither of them individually would be able to do. In order to be an organization, however, they have to have communication between them, and they must have some sort of co-ordination. They must agree, for instance, as to where they want to put the stone, otherwise one may pull in one direction and one in another.

An organization of two men lifting a stone is temporary—as soon as the end is accomplished the organization dissolves. But many social organizations are conceived as permanent, or at least as continuing beyond the lifetime of the present members: nations, churches, trade unions, lodges, political parties and corporations. And just as a living body must replace the cells it loses, so a social organization must replace the members it loses. Somebody has defined an organization as a set of holes tied together with lines of communication; the hole is the "job" or the "role"; and as one person leaves it another must be found to fit it.

This concept is, of course, too static. Roles (jobs) are constantly created by the imagination of the executive and they change all the time under the impact of the demands that are made on them and of the people who occupy them. Every time a square peg occupies a round hole, the hole gets a little squarer. On the other hand, the peg also gets rounder; our behavior is moulded by the role we occupy simply because, on the whole, people want to do what is expected of them. (This is one of the not very astonishing conclusions of the science of social psychology). The theory of political democracy rests largely on this principle; we have a certain faith that no matter who becomes President, it won't be long before he acts like one.

If our concept of the corporation has changed in the past generation, it is because we have come to realize that the corporation is simply a special case of an organization, and that the things it shares with other organizations may be much more interesting than the things that arise out of its special form. Particularly is this true of the large corporation; in many ways a large corporation is more like a large union, or a large university, or a large government, or even a large socialized industry than it is like a small corporation. We must still not overlook the fact, however, that a business is not a charitable foundation, nor a government department, but a profit-making organization, and that it remains one no matter how big, or responsible, or respectable it may be.

* * * *

Now the profit-making aspect of the corporation has been subject to more criticism even than its bigness, so a small word in defense of profit may not be out of order.

try Administration. (7) Ministry of Economic Affairs (MOEA). (8) Taiwan Power Company (TPC). (9) Taiwan Railways Administration and Taiwan Harbour Board. (10) Keelung and Kaohsiung Harbour Boards. (11) C. L. Chow, "The First and Second Four-Year Economic Development Plans of Taiwan", *Bi-monthly Economic Review*, Bank of China, Taipei, No. 55, Jan.-Feb. 1957, p.8. (12) Ibid. (13) P. Y. Hsu (Minister of Finance) "Report on Foreign Exchange and Trade Operations in 1956" in *ibid*, No. 56, March-April, 1957, p.l.

Curiously, perhaps the greatest virtue of profit, as a goal of organizational policy and as a measure of success, is its abstractness—the very quality that has brought it most into disrepute with the romantics who yearn (and I confess to a small yearn along with them) for a world in which everything is done for love. Profit is impersonal and, in spite of the arbitrary nature of accounting rituals, reasonably measurable. (A business is pretty sure that ten per cent is better than nine; a university is not quite so sure that a hundred Ph.D.'s are better than ninety-nine.)

Furthermore, if we cannot do everything for love, there is at least a certain innocence about doing things for money. Making money may not be a heroic, romantic, or self-sacrificing occupation (though it may sometimes be so), but it at least avoids the particular morass of corruption into which mankind is apt to slip when it makes propaganda, makes war, makes revolution, or makes utopias.

The classical justification for a profit system is that, on the whole, profits are made by being serviceable. Businesses can only thrive by selling people things that they want at prices which they can afford and which will enable the business to attract the resources necessary. This is less romantic than selling people what you think is good for them, like glory, death, progress and salvation, but it at least exhibits a decent humility. Serviceable enterprises can attract both capital and labor; what is serviceable will be profitable, and what is profitable will be done.

This justification still seems pretty good, although it has to be modified on occasion. For example, advertising may distort purely "natural" demand. Monopoly may enable business, at least for a time, to be more profitable than serviceable. These things, however, are blemishes; they do not destroy the proposition that profit is at least a rough measure of serviceability. They imply some extension of responsibility, some modification of "pure" profit-making, but not a basic change in the system.

* * * *

Once we begin to talk about an extension of responsibility, however, the question arises: to whom and for what is the corporation, or its management, responsible? The legal theory is that the only participants in the corporation are its stockholders, and everything else is hired—loan capital, management, labor. Management is responsible, so the theory runs, to the stockholders alone, and is the steward of their interests. The trouble with this theory is that it does not square with the facts of life—the life, that is, of organizations.

Any continuing connection with an organization, whether of an employee, a supplier, a customer, a trade union official, a government official, or even of a bank, is affected by participation. The legal theory is that when a corporation makes a transaction—with an employee, a hired manager, or a bank—the other party to the transaction is in no sense a part of the organization that is making the transaction. This might be true of a once-for-all transaction; it is not true of a continuing series of transactions. The managers of a corporation therefore, willy nilly, simply out of the logic of organization, find themselves forced to take some responsibility for their employees, their suppliers, their customers, their lenders, their government, as well as for their stockholders.

These responsibilities are very effective limitations on management's freedom of action, imposed not so much by law as by the logic of the role it occupies. Even without the legal provision of union contracts—which generally only give formal recognition to an existing situation anyway—management finds it awkward to dismiss a janitor who has

been with the firm twenty-five years; it finds it very hard to switch banks; it has to take into account the interests of its suppliers and its customers; and it is under constant pressure to conform to the general policies of the government and the society under which it lives.

Yet if an organization is to survive and be healthy, at some point it must be able to cut loose from the claims of its environment; it must be able to dismiss an unproductive employee or an incompetent executive, to break with an old customer, to find new sources of capital, to change its suppliers, to branch out into new lines, to struggle loose from the entangling coils of the past and strike out afresh. The more encumbered an organization becomes with responsibilities to its whole environment, the less able it is to do all this—which brings us to a consideration of the role of the stockholder. The nice thing about stockholders is their anonymity—an anonymity which the French, with a fine sense of significance, have incorporated into their name for the corporation—*societe anonyme*. Responsibility to anonymous and abstract stockholders, therefore, can easily be translated into responsibility for the organization itself.

The organization, as has already been noted, consists of roles filled with people. In a sense the role must come first, but responsibility for the role implies some responsibility for the person. An organization cannot persist, no matter how much it pays people, without the subtle and mysterious factor of morale—and morale is the willingness of people to give themselves to their roles. It follows that we cannot regard a business corporation simply as an agency for buying and selling and making profits; as an organization it has to be concerned with the people who serve it. This is because the rewards of a job are of two kinds. There are the rewards of participation itself—the sheer joy of the job, of belonging. These are the internal rewards. Then there are the external rewards—the pay, the perquisites. The rewards of some jobs are purely internal—the honorary secretary, for instance. Beyond a certain point, however, external rewards have to come into play, even in "non-profit" organizations like churches and charities. A mixture of the two seems to be necessary both for the individual and the organization.

No organization can be healthy, and no individual content, if there are no internal rewards, no satisfactions in the job itself. On the other hand, external rewards are nice, too, and the two kinds of rewards are not unrelated. For pay is a symbol of the valuation that society puts on our work. Society may of course be wrong; it has left great painters and poets to starve in garrets. But it has left a lot of mediocre painters and poets to starve in garrets also. The purely self-rewarded worker is always under some shadow of doubt as to the value of his work, and while the judgment of society is not infallible, neither is it irrelevant.

* * * *

In personal relationships, business needs to achieve the right level of abstractness. There are real differences in function and character between a business and a charity or a family. A business is not a family, not even One Big Happy Family, and the business that thinks it is, is in for a rude awakening. The problem here is to find the appropriate degree of impersonality, the right distribution between internal and external rewards, the right proportions of affection, respect, dignity, and so forth. I want a relationship with my employer that is different from my relationship with my wife and children. I want my employer to be "square," straightforward, honest. I don't necessarily want him (or it) to be, in the magnificent word of Pogo, lovabobble. There is a lot to be said for the old A. F. of

PAPER MONEY IN MODERN CHINA (1900—1956)

TREASURY NOTES IN THE FORM OF BANKNOTES; RAILWAY CO. NOTES AND OTHER NON-COMMERCIAL INSTITUTIONS NOTE-ISSUES

By E. KANN

PART XVIII

Before dealing with the enumeration of commercial banks which emitted paper money, we should like to conclude our narrative in connection with public bodies as note-issuers. Up to 1930, these were numerous in China.

On the one hand, we meet Treasury Notes with and without interest clauses. These existed in small denominations up to \$10, as a rule. They originated in the minds of the militarists to cover the latter's monetary requirements. While the martial spirit is not difficult to recognize in these notes, the admission is not appearing textually on the face of the notes, so that they cannot very well be grouped under the heading of "Military scrip". These Treasury Notes usually shared the fate of most provincial issues, i.e. they usually were devaluating and often left unredeemed.

Some of China's railways issued paper money. Instances coming under this heading were not numerous. And furthermore, the fate of those notes was, in contradistinction to most of their contemporaries, usually a kind one. This means that they were redeemable and actually redeemed upon request. There were also some emissions of fiat money in modern China, emanating from political groups of importance, issues worth recording.

L. slogan of "an honest day's pay for an honest day's work," and let the relationship stop there. Provided it doesn't affect my honest day's work, I don't want my employer interested in what I do, or think, after hours, and I don't want him interested in my morals, my associates, my recreations, my religion, my politics, or my sex life.

The Boss should neither be a brute
Nor yet a Father-substitute.

In the short compass of this article many important aspects of the corporation must be skipped over—its relations with government, for instance, or with the general public, and the very important question of its relation to the world community. We may sum up, perhaps, by saying that as the image of the corporation, both in the mind of its own servants and of the general public, becomes broader and at the same time more realistic, public attitudes toward it become more matter-of-fact and less tinged with emotion. It is a useful work horse; we do not expect it to be either a race or a sweetheart, but neither do we see it as a nightmare. On the whole nobody is going to die for it, but a lot of people are going to live by it, and with it. We may want to say "Boo" to it occasionally, just to keep it from getting too cocky (this seems to be the main function of antitrust activity). We may seek more explicit recognition of its responsibilities to employees, suppliers, customers and government, but these will merely be the legal recognition of long-standing actualities. Until better work horses are bred, the future of this one seems well assured.

At all times it is extremely difficult to draw a border line between the notion of "bank" and other financial institutions. When is a financial house entitled to style itself "bank?" In China there were thousands of private banks, exchange shops and similar stores which issued paper money. And, besides, there were tens of thousands private and public companies (as coal mines, factories, etc.) which, at one time or another, did issue paper money, very often with the proviso: "Do not pay by lamplight", but with the experience of the unfortunate holders that even sunshine could not bring forth redemption. Any attempt to try enumerating even a portion of such issuers would end in failure for want of completeness; and any start in that direction would constitute a confession of confusion. Therefore, we shall leave that chapter untouched, relegating its elucidation to the scientific research by future generations.

Not only factories and wholesale houses issued paper currency in China in the first three decades of the 20th century, but also tiny shops with little or no capital. Often the only security offered to the holder of the note was the portrait of the manager of the issuing concern, which adorned the note. Orders tending toward the unification of China's banknote system were ignored or circumvented, often because the authorities lacked the power to enforce their rules. Here is an example showing how wrongly the inauguration of a unification system was comprehended. It is taken from the Government Weekly "The Chinese Economic Bulletin" No. 229 of July 11, 1925, and calls for special comment, inasmuch as it encourages the decentralization of note-emissions in North China under the protection of the Chihli Provincial Bank which, by that time, was in a precarious position.

"Local Banks for Chihli Hsien Districts: Chihli authorities recently circularized the local officials regarding the organization of local banks in their districts. Any private person or persons may organize a bank in his hsien district and may issue notes in denominations of \$1, \$0.50, \$0.20 and \$0.10, respectively. The notes in fractional denominations must be in decimal fractions of the dollar. The notes must be printed and issued through the Chihli Provincial Bank and fully covered by a reserve, of which 50% must be deposited with the Chihli Provincial Bank. Though the circulation of the notes is to be confined to the districts to which they are issued, notes in moderate sums will be cashable by the Chihli Provincial Bank at Tientsin. The object of such restrictions is to introduce a uniform currency and note-issue in the province."

(137) FINANCE DEPARTMENT OF KIANGSI PROVINCE

In 1926, three notes calling for interest at 12% per annum were issued by the above institution in denominations of \$1, \$5 and \$10. These were supposed to be redeemable from the end of April, 1927, according to the inscription on the obverse. On the reverse the following legend in Chinese was printed, regulations which in translation are to the following effect:

"1.—Temporarily issued by special permission from the Ministry of Finance of the Republic of China upon the request of both, the commander-in-chief and the Governor of Kiangsi Province.

2.—The amount to be issued is \$2,000,000, to be circulated within five months.

3.—There are three denominations: \$1, \$5 and \$10.

4.—It has been decided that the taxes levied in all the cities of the province are to serve as reserve fund for this issue and of the interest.

5.—The said fund is to be securely held by the Kiangsi Native Funds Organization and is to be transferred to both, the Bank of China, Nanchang, and to the Kiangsi Provincial Bank, for the purpose of redemption in silver dollars, plus interest.

6.—Interest is payable on the basis of 1% per month (i.e. 12% per annum).

7.—This banknote is cashable as per arrangement, i.e. \$200,000 monthly, beginning from end of March and ending in December of the 16th Year (1927) of the Republic.

8.—Redeemable in silver dollars. Also good for the payment of all kinds of taxes, duties, etc. Nobody is permitted to refuse accepting these notes. Heavy punishment will be meted out for forgeries of this note."

(138) ANHWEI LOCAL BANK

This institution also issued what it styled "Promissory Notes" in the shape of banknotes. But it was gracious, for it promised no interest. Moreover, the notes were undated, so that the date for redemption (3 months after issue) could not be proved. The following regulations can be found in Chinese on the reverse side of the notes:

"1.—Owing to a shortage of small-value banknotes the Government of Anhwei Province has specially authorized its bank to issue this kind of Promissory Notes for meeting current requirements. The bank has no own issue of banknotes.

2.—This Promissory Note is issued in three values, namely \$1, \$5 and \$10. All these are available for the payment of taxes, duties, etc.

3.—The bank obligates itself to accept this note in lieu of authorized banknotes for any purpose, including deposits or transfers. The bank will also effect transfers free of commission from any part of the Interior of Anhwei Province to Chingkiang, provided such transfers are in terms of these Promissory Notes.

4.—This Promissory Note is to be used for three months only. Thereafter it can be exchanged against banknotes on demand at the head-office of this bank, or at any of its branch offices.

5.—Since this note is payable to bearer, the bank will not be responsible for damage or loss of the note, since the holder's name cannot be registered.

6.—This Promissory Note is not valid, unless it is countersigned by the Managing Director of the bank."

(139) CHIHLI PROVINCE TREASURY FIXED DATE REDEEMABLE NOTE

In 1926, Chihli Province issued banknotes in the shape of Treasury Notes in denominations of \$1, \$5, 20-cents and 10 cents. These, according to the terms printed on the reverse, were encashable without interest, three months from March, 1926. They also were supposed to be useable for the payment of taxes. It appears, however, that neither redemption, nor acceptance for tax payments, was accurately adhered to, and that the bulk of the notes could not be cashed.

(140) CHIHLI PROVINCE CASH RESERVE TREASURY NOTE

In 1928 altogether \$2,000,000 worth of such notes were issued in denominations of \$1, \$5 and \$10. Allegedly, 100% reserves were held in cash against these notes. The fiat money was said to be useable for tax payments and cashable at the branch offices; but it was omitted to indicate whose branch offices. There exist justified grounds for doubting the story of the 100% cash reserves.

(141) MINISTRY OF FINANCE TREASURY NOTE, PEKING

In 1919 the Ministry of Finance issued interest-bearing Promissory Notes in denominations of 50-cents, \$1 and \$5. These were supposedly maturing six months thereafter. The reverse side contains 16 perpendicular lines of regulations pertaining to these notes.

In 1923 the same Ministry issued Treasury Notes in the shape of paper money in denominational values of \$1, \$5 and \$10, supposedly redeemable not later than August, 1924. The original amount was \$2,000,000, but later on it was augmented by another \$1,000,000, calling for interest at the rate of 1% per mensem (12% per annum).

(141a) MINISTRY OF FINANCE MILITARY EXCHANGE BUREAU

A 1-dollar note, undated, was seen by the author, printed by the Bureau of Engraving & Printing, Peking; almost certainly a republican issue. It appears that these notes were used for paying military rations. They had to be exchanged for current bank notes. What the final purpose of such paper might have been is not apparent. Neither is anything known about their fate.

(142) MINISTRY OF FINANCE TREASURY NOTE, CANTON

In 1927 the Southern Kuomintang army was marching against the North and was badly pressed for funds. At that occasion so-called Treasury Notes were issued in small denominations of \$1, \$5 and \$10 at Hankow; redeemable after 6 months with interest at the rate of 7.2% per annum. Those Treasury Notes appeared in the garb of banknotes. The following regulations were printed in Chinese on the reverse side of the notes:

"1.—As the Government is anxious to assist the Treasury, it has agreed to the issue of Treasury Notes, with fixed term and interest clause.

2.—This Treasury Note is repayable after six months through the Bank of China, the Bank of Communications and other banks.

3.—These Treasury Notes call for interest at the rate of 6 per-mille per month and is redeemable 6 months after date of issue.

4.—The Treasury Notes are being issued in denominations of \$1 and \$5.

5.—If the holder does not wish to call for redemption, he is at liberty to use the Treasury Note for payment of Customs dues, Salt and other taxes.

6.—This Note is issued to Bearer. If lost, it cannot be replaced."

The total sum issued aggregated \$9,000,000, placed into circulation at the rate of \$3,000,000 a month. Some of the notes were surcharged in large Chinese letters: For circulation within Chihli, Shantung, Honan and Shensi Province. Exist also in 50-cts denomination.

(142a) KWANTUNG ARMY MILITARY DEFENSE BONDS

In 1932 the Finance Dept. of Kwangtung Province floated some bonds in the form of banknotes in denominations of \$100, 50 and 10. These called for 4% interest per annum and were printed by the China Merchants Press, Kwangchow. From the 14 regulations printed on the reverse one learns that the money was needed for construction of forts and defense projects along the southern coast, a program which would cost \$30 million. The revenues of Kwangtung Province were supposed to have served as guarantee. This means in translation that there was no security at all.

(143) KWANTUNG PROVINCIAL TREASURY

Treasury Notes in the shape of banknotes were emitted in 1923 in Kwangtung Province. The author saw the \$1 value, but most likely \$5 and \$10 also were extant. This institution served military finance only.

(144) CHEKIANG PROVINCIAL TREASURY

In 1924 three denominations appeared in Chekiang as Treasury Notes in the form of banknotes, viz., \$100,000 in \$1 notes, while \$400,000 was in the shape of \$5 and \$10 values. This was the first lot. Probably some more followed on.

(145) HUNAN FIXED DATE 6 PER MILLE TREASURY NOTES

In the ninth Year of the Republic (1920) Hunan emitted \$2,000,000 Treasury Notes in denominations of \$1, 5 and 10, all in the shape of banknotes. These were stipulated to yield 6 permille interest a month (7.2% per year) and to become redeemable in intervals of 3, 6 and 12 months through the intermediary of the Yu Shiang Bank. Nominal secured on the taxes of the Province.

In 1921 a second series of the same Treasury Notes was issued under the style of 10th Year National Treasury Notes of Hunan Province. Terms and denominations were somewhat analogous to the first emission.

(145a) HUNAN PROVINCE NATIONAL 10TH YEAR TREASURY NOTES

These notes were styled "Second Series" and were supposed to be redeemed six months after issue (1921) with 7 permille per month interest.

(146) IMPERIAL CHINESE RAILWAYS

Notes issued in three denominations, namely \$1, \$5 and \$10 and printed by Barclay & Co., London; the fiat money was dated January 2, 1899. Design and inscriptions are identical, and even the shade on the reverse (brickred) is the same on all three values. A railway bridge across water is seen, with mountains in the background. On the obverse one finds a railway train passing the Great Wall of China at its terminus, Shanhakwan. Size and coloring of the \$5 and \$10 notes are identical; the \$1 note is smaller. These notes were meant to circulate along the Peking-Mukden railway, a line built and financed with British capital on a loan agreement. All the notes presented in time were encashed without difficulty and without delay, already because the railroad did extremely well.

(147) HSING YEH BANK (HANGCHOW)

This was a railway bank for Chekiang Province. Its nominal capital was \$1,000,000, of which \$250,000 was

paid up. During 1909/10 it issued paper money, but upon the outbreak of the Revolution at the close of 1911, it redeemed these. Then the bank closed down. Was also known under the colloquial name of Shing Nih Chartered Bank.

(148) YUNNAN KUO PI SHIH RAILWAY BANK

Apart from the Yunnan-Annam line under French management, the Kuo Pi Shih Railway was the only line under government supervision by private interest. Construction was initiated in 1914, but owing to lack of funds it was opened for traffic only in 1938, having been under construction for 23 years, though the entire length was only 175 kilometers with a very narrow gauge of 60 cm. Probably lack of funds prevented the finishing of the entire line, and similar causes might have induced the promoters to open a special bank and make same issue paper money. The notes emitted by the said institution entitled the bearer to so many dollars in Futien banknotes. In 1918 the bank issued \$2,000,000 fiat money, and in 1926 a similar amount. It was then requested by the Government to withdraw its note-issue.

(149) BANK OF LOCAL RAILWAYS IN SHANSI AND SUIYUAN

Issued notes in denominations of \$1, 5 and 10, as well as subsidiary paper for 10 and 20 cents in 1934; printer: Bureau of Engraving & Printing, Peking. With the advent of the Federal Reserve Bank of China the railway bank's note issue ceased in 1939.

(150) RUSSO ASIATIC BANK, HARBIN

The Russo Asiatic Bank, in conjunction with the Chinese Eastern Railway, emitted in 1918 undated banknotes in denominations of 50 kopeks, as well as 1, 3, 10 and 100 roubles. On the obverse the following inscription in Russian is found:

"This 'bon' will be accepted at all cash counters of the Chinese Eastern Railway, as well as by the branches of the Russo Asiatic Bank at Harbin, Hailar and Kuandschendze, at par with government banknotes of the issues up to 1917, inclusive. Forgeries will be punished according to the law."

Since government rouble notes became valueless, it was not difficult to redeem this issue.

(150a) CHINESE EASTERN RAILWAY (HARBIN)

Actually a Russian corporation, the railway administration, especially toward the close of its career, had high-ranking Chinese board members and must therefore be considered a Sino-Russian enterprise. In 1920/21 the said corporation floated a short-term loan for \$2,000,000, calling for 10% interest per annum and falling due for redemption one year after issue. The date of the latter was to be filled in upon emission. The notes were for a denominational value of \$25 each, but since the interest was payable in advance, they cost the first holder only \$22.50. The bonds were in the shape of banknotes, printed by the Bureau of Engraving and Printing, Peking, in Russian and Chinese text. Upon maturity they could be used for the payment of freight along the Chinese Eastern Railway (in Manchuria), or they could be cashed at any of the railroad's offices in 'big dollars.'

(151) THE CHUNGHWA REPUBLICAN GOLD NOTE

In his persistent attempt to overthrow the Manchu regime, Dr. Sun Yat-sen spent many years in exile. There

and then he lived a frugal life, bent upon obtaining his aim. In order to be able to indefatigably work in this direction, he had to obtain funds. Seemingly contributions from sympathizers were insufficient for the maintenance of an adequate organization. For this reason Dr. Sun struck upon the idea of issuing banknotes of possibly varying denominations. Some of these called for gold dollars 10 and 100, redeemable upon the formation of the Republic.

In decided contradistinction to the acts of the professional militarists of China, as they flourished between 1912 and 1930, Dr. Sun Yat-sen's ideas and aims were unselfish and lofty, certainly not tending toward enrichment. All he had in mind was the removal of the Manchus and the creation of the Chinese Republic. Under these circumstances the note, described in the following paragraphs, was born. To this day it represents a significant witness to anxious times which, in the end, were crowned with well-deserved success.

For the purpose of financing the revolutionary movement, Dr. Sun Yat-sen, known in China as Sun Wen, issued paper money calling for gold \$. These notes do not reveal the printer's name, though it is certain that they were produced outside of China; they also fail to indicate the date of issue. The size of the gold \$10 note is 19.1 x 8 cm. No place of issue is given, and no domicile where the paper could be redeemed is indicated. Neither is there the name of the issuers shown. The following are particulars:

Obverse: Grey-green color. In the two upper corners appear in Chinese the characters for 10 dollars; in the lower corners large Arabic "10". Within the upper border six ideograms, translating: Chinese Republic Gold Note. In the center is seen the Kuomintang's Republican emblem unfurled on a flagstaff. Right thereof (in Chinese): President of the Chunghwa Kuomintang, and the signature of Sun Wen in Chinese. To the left of the center in the native tongue: Treasurer of the Kuominchung Army, followed by the Treasurer's signature. Above the lower frame, and partly covering same, is seen the following legend appearing in the indigenous writing and signifying: Upon the formation of the Republic the State Treasury or its agents abroad will exchange at any time and render the equivalent value in silver. Can be used for payment of taxes, etc.

Reverse: Dull-orange shade, but the center (Kuomin-tang flag) in sky-blue. The upper frame contains the same Chinese inscription as is shown on the obverse. In the upper corners large figures "10". Above the flag in the center in English: The Chunghwa Republic. Then, near lower corners: Promises to pay to Bearer. Beneath the center piece: TEN DOLLARS GOLD on its formation at the State Treasury or its agents abroad. On the right and the left Arabic figures "10" with blue borders. Across these in red the serial numbers. The note bears the signature of Sun Wen, President, on the lower right: and Lee Gnone Yap, as Treasurer, both in print and not hand-signed.

From the composition of the note it is evident that it may not be considered as a banknote, having been issued by a revolutionary body, then unrecognized and "wanted", for financing a movement which, some years later, turned out successful. But the issue did represent a sort of public loan from the sympathizers of the movement, who took a risk regarding redemption, or who were prepared to consider their outlay as a donation.

It is not known how small or large the issue was. Neither is it known whether any of these notes were presented for redemption and with what success.

Only one reference has so far been found by the author, pointing to the probable period of issue of the paper money

referred to in the foregoing description. In the book "SUN YAT SEN, his Life and its Meaning", by Lion Sharman (The John Day Company, New York, 1934, fol. 37) is found a passage describing the founding of Sun Yat-sen's first political society, the Hsing Chung Hui (Prosper China Society), when Dr. Sun was a fugitive in Hawaii. This was in 1894. Its head-office was to be in China. The first thing needed for its promotion was money. Members were invited to buy \$10 shares with a hope of getting the capital back some day with interest.

(152) LIANGKWAN FINANCE BUREAU

Under Liangkwang is meant the provinces of Kwangtung and Kwangsi. The Finance Bureau issued a series of notes as quasi the non-existent national bank. The flat money came in denominations of \$1, \$5, \$10 and \$100. The lowest value shows in the center, within a rectangular frame, a city-wall with gate tower. Strictly speaking, the sponsor of these notes was the Chinese Revolutionary Government, i.e. an underground body of revolutionaries functioning surreptitiously before the advent of the Republic, i.e. before 1911.

According to the legend in Chinese, the notes were supposedly redeemable in cash "... as soon as the National Bank of Kwangtung and Kwangsi was established." The notes, according to their inscriptions, were available for payment of all governmental revenues and taxes, as well as for donations. What became of the issue, and how large it was, is not on record.

(153) NATIONAL BANK OF CHINA

Seemingly this bank was to serve the Kuomintang Party. It was founded by Dr. Sun Yat-sen. In the beginning of its existence, the revolutionaries had to undergo severe struggles for existence and they were in constant want of funds. This was still the case by 1921, when the aforesaid bank emitted notes (dated 10th Year of the Republic). In the center of the obverse is to be seen the portrait of Dr. Sun Yat-sen and palm trees. This points toward Oversea Chinese, who were relied upon to contribute funds. No place of issue is shown. Printed by Peiyang Printing Co. in denominations of \$1, \$5 and \$10.

On the reverse side of these notes are depicted the four vocations, namely the laborer, the merchant, the farmer and the scholar. The obverse shows on the right a palm tree, on the left a banana tree.

These notes also cannot be compared with the unbridled emissions of military scrip, for they were meant to further a national cause. Their volume appears to have been small.

In the extensive book containing analytical remarks about all banks in China, published in 1934 by the Research Department of the Bank of China, neither one of the two foregoing institutions is to be found mentioned. This seems to point toward the cessation of their existence by 1933.

(154) HUA FU INDUSTRIAL BANK OF CULTIVATION

Under the style of 'bonds' the bank circulated in 1915 dollar notes calling for interest at the rate of 10 cents on every dollar.

(155) TUNG PING FARMERS BANK

Was located in Kirin Province and called its notes 'bonds'.

(To be Continued)

PEKING AND ITS MANY CRITICS

Nationalist and other observers of the Chinese scene were watching like lynxes to see whether or when Chairman Mao Tse-tung would end his long stay in Tsingtao and return to Peking. Undoubtedly there has been a serious difference of view about the whole Rectification rigmarole among the principal members of the ruling group of the Party. Liu Shao-chi's ideas about it corresponded no doubt with his own austere, grim personality. He is not altogether the type of person to tolerate a situation in which the unenlightened non-Marxists could be permitted, even under the great restrictions laid down in Chairman Mao's six criteria, to slap the faces of the new heaven-born of the Marxist order. But though he can and does make his influence felt, it is generally believed that the most forceful, as he was certainly the most vocal, critic of Chairman Mao's rectification campaign was the Mayor of Peking Chin Peng. If he lacks the great weight of the other members of the Big Five, he has a pugnacious personality, and has absolute control of Peking as Mayor and head of the city's Party organisation. He has expressed himself forcefully before, during and after the rectification, and nobody can mistake his rooted opposition. But nobody quite knows whether Liu Shao-chi felt quite as strongly about it, or whether, as was indicated more than once, Premier Chou En-lai was also among the opposition. He is regarded as a member of the liberal wing but any criticisms of the Party must sooner or later encroach on the administrative borders which is the domain of the Premier and the State Council over which he presides. And indeed there was much criticism of the administration as well as of the Party.

It suited the wishes of the anti-Communists but there has been nothing to show that the episode in any way weakened Mao Tse-tung's complete authority over the Party, for he specifically laid down the limits and is not responsible for the way in which they were brushed aside by the critics. It is pretty certain that Chairman Mao was by no means idle during his unusually long stay at Tsingtao. There was an important conference there on policy toward the Minorities—a matter which grows more rather than less important as the months pass, since they have the undeveloped wealth and the space, while the Han Chinese have the numbers. And it is pretty certain that meetings have been held at the holiday resort on current problems. Moreover, Chairman Mao twice ventured forth to Shanghai to feel the pulse of the people there. He went there before the counter-offensive really got under way, and he visited Shanghai again on September 17 before he flew back to Peking to meet the Vice-President of India; and no doubt to tell his colleagues just how things were going in Shanghai. This time he seemed more concerned with developments in rectification and indoctrination in the Government offices, factories and the schools rather than in industrial and commercial circles as before. Among other things (with the Whampoo district Party Secretary as his escort), he studied the wall newspapers posted up by the workers to express their views.

It is generally understood that the crisis that has arisen between the Party on the one side and the intellectuals, industrialists and business men on the other is not less serious than during and after the appalling "five-anti" struggle four years ago. The extraordinary fury of a succession of editorials in the leading papers of the capital during recent weeks could almost be compared with the intense hostility of the campaign of propaganda which preceded the

unleashing of the terrorist teams of toughs and activists against the industrialists and business men during the five-anti. Then there were accusations every day that the industrialists were canning poisoned meat for the troops in Korea and that the businessmen were selling "infected bandages" to the army for the wounded in Korea. There were a variety of other accusations, but these were among the most deadly and the most unjust. But the bourgeoisie had to be terrorised into submission, and the Communist agitators and propagandists were even less particular about their facts than were the Kuomintang activists in the ferocious anti-British campaign in the mid-Twenties. It may be remembered that this propaganda, and the terrorism that followed, led to a complete paralysis of economic activity for many months in Shanghai. In fear or in outraged indignation, the industrialists, managers and businessmen abandoned their businesses and hid themselves at home. Some enterprises were carried on by the workers themselves but with little success or satisfaction. It was a bad beginning for the first five year plan. These members of the bourgeoisie alone knew the modern processes of industry and commerce. If every member of the Central Committee of the Party had been let loose in Shanghai to operate these enterprises they would have been as helpless as a company of philosophers or of native doctors or peasants.

The question that arose in the past week or two was whether the counter-offensive against the critics and especially the so-called rightists would lead to measures similar to those during the five-anti campaign. If so it would almost certainly have led to the immediate abandonment of the various associations, societies, parties and groups in which all the expert personnel of the country are organised by the members thereof, and the introduction of an era of passive inactivity against which the Party leaders repeatedly complained after the "five-anti," or to a form of non-cooperation that would be disastrous in present economic stress and strain. There was a very real danger of this. Indeed it cannot yet be said that the danger is over. But the appearance, on the day of Chairman Mao's return to the capital, of an editorial in the People's Daily stressing that there was "no intention of arresting the Rightists or annihilating them physically" is a reassuring sign.

Threats of annihilation were in fact published, and there is little doubt that if Peng Chen and the advocates of the strong line toward critics had their way every man who did take liberties with the Party would have been given condign punishment. It is true that it is necessary now to be a little more careful about executing or annihilating people nowadays, as the officials implicated in the last campaign against ex-officials (counter-revolutionaries) have come to understand as a result of the sharp criticisms. But the Party leaders are still very angry, and Peng Chen's complaint that while giving the Party officials the stick the critics were completely blind to the regime's accomplishments, is only too well founded. One may go through page after page of criticism without finding a single reference to the constructive work of a Government which in this respect eclipses all others in the history of China. Even the dynasties which built the Grand Canal or completed the Great Wall fall into insignificance, beside what this Government has managed to do—but that does not affect the argument that it could have been done even more smoothly by a process of co-operation with the West which only mutual hostility forbade. Neither Japan nor the United States had

to adopt the Communist technique to get where they are in the world of industry.

But if the critics took a one-sided view of things, so did the Party. The two views were so divergent that a chasm was created far more profound than any moat or ditch. They were dealing with two different worlds, one of material construction, the other of purely spiritual values. But the critics were for the most part the minority who were politically-minded. Nothing could have improved on the sheer discretion with which some of the leading figures in the collaborating parties. There has been indeed a steadily growing and fruitful co-operation between all the constructive elements in the country, in the Party and out of it. It would be a tragic development if this broke down now that the second five year plan is about to begin. To many outsiders it seems that China has had long years of a freedom tantamount to anarchy, and that for the sake of the future another decade may well be devoted to strenuous construction even if the normal freedoms have to be somewhat circumscribed by the dictates of the national plan. The time will come when the people will demand their freedoms and when no dictatorship can deny them. In any case a severe split now would merely lead to a deeper embitterment of feelings and a regime almost as harsh as that imposed by Stalin, when he had trouble first with his own colleagues and then with the peasants.

It is the Party reactionaries who need most warning at this stage, for to the insupportable arrogance which the Communist feels entitled to assume to all non-Communists they would add a fierce punitive attitude which only a Stalin could get away with. There is no such figure with corresponding powers in China today. Mao Tse-tung himself has warned the country against such an attitude, and despite the defiance of his six criteria it may well be assumed that he still stands for persuasion rather than coercion, to whose limitations he referred in his famous speech on the proper handling of contradictions. Hence the editorial in the Peking People's Daily on September 18 with its assurance that the method of dealing with the "rightists' assault" would still be that of debate among the people.

But it is one thing to transform the industry and commerce of men from one technique to another, from one ownership to another. It is another thing to try to transform the heart, mind and soul of men. The infinite range and variety of poetic lines which are dedicated to this most priceless of all man's possessions are a reminder of the futility of fanaticism in such things. But that is of less moment than that the "reform of men" should be carried

out by methods of argument and reason and not by the sinister methods with which four decades of Communist experience have made the watching world familiar. And while trying to persuade the bourgeoisie that their doctrines are right and those of capitalists and other non-Communists wrong, they might try to make certain that their methods in administration are somewhat more efficient than they have hitherto proved to be, and that they place in authority are men of knowledge, experience, virtue and talent, not mere time-servers and Party placemen imposed on the constructive elements of society because the Party considers the State owes them a large and generous livelihood. But the editorial says that the process is to be gradual, and may even cover the whole period of the national plan, say from ten to 15 years, before conviction comes.

There is still the spirit of divine right in all the editorials, however, as if the Marxist is not only the last word in learning but the last peak of historical authenticity. They complain that there are still some who bitterly hate Socialism. That is no doubt true. There are all too many who have no cause to feel otherwise, for it is not necessary to misapprehend the meaning of the Communist term liquidation, as so many anti-Communist propagandists have done, to understand that the 800,000 bereaved households have many descendants who cannot forget, as some of the recent disorders proved. There is also a small matter of confiscated property and goods representing often the fruits of a lifetime of constructive labour and capital. So long as the issue is left to mass debate there will be no fateful rupture, and even so care must be taken in tackling the great body of "middle of the roaders" among the intellectuals and bourgeoisie, not to turn them into rightists—as could well happen if the methods were wrong. Chairman Mao himself has spoken of the vast category of contradictions to which "Communist unity" has reduced the nation. Never in history were relations so discordant as now and that is an extraordinary thing to happen to a people who above all others since the world began had dedicated themselves to harmony among themselves and harmony with nature. There is no doubt that the furious editorials which were printed in Peking during recent weeks aroused a certain amount of deep dread but emotions are still so high that they probably caused infinitely more anger. And it is also wise to consider what may happen in the Soviet Union and in the West generally within the next three years. This prevision even more than purely domestic considerations should commend the utmost restraint and wisdom in dealing with those who dared to contradict the Party. "Even the workers," says the official news agency, on September 18, "have ceased to speak out" in the 17,000 Shanghai factories!

CHINA'S ECONOMIC PLAN FOR 1958

The National Planning Conference for drawing up the 1958 national economic plan in China concluded early in September, and the Ministries of the Central Government and the administrations of the provinces, municipalities and autonomous regions are also drafting their own plans to correspond with the draft control figures laid down at the national conference, no doubt under the influence of pious injunctions to dovetail the plans more carefully than hitherto. The year 1958 is of course the first of the second five year plan. The main problem is that of the failure of agriculture to keep pace with the growth of the other branches, particularly industry.

The principles call for the continued development of heavy industry as the core of national construction, and the speeding up of the expansion of agriculture by increasing investments therein as well as in forestry and water conservancy and in those branches of industry which are of direct aid to agriculture. They call also for the strenuous development of industries concerned with raw materials and building materials and the fuel industry, notably coal and raw materials of which there is now a shortage. The policy calls for the continued co-ordination of big, medium and small enterprises and the full utilisation of small-scale industry and handicrafts. The role of foreign

trade is to be strengthened to regulate domestic production and the home market, while the improvement of the people's livelihood and the expansion of culture, education and health work is to be kept in line with the level of economic growth. Wage standards are to stay unchanged, though the total wage bill may be increased along with the increase in the number of employees.

The Peking People's Daily discusses the draft economic plans under three main headings. The total output of agriculture and rural side-occupations is to go up by 4.8 per cent in terms of value above 1957. This is slightly higher than the average annual rate of development, i.e., 4½ per cent, scheduled in the first national plan. Gross grain output is to exceed that of 1957 and the total cotton output is to be lower than the original target set for 1957. From these preliminary targets it appears that grain and cotton supplies in 1959 will still be unable to catch up with the rising livelihood demands and the demands of developing industry. The supply of most other crops needed by industry will still remain tight. How to keep industry and agriculture in step will constantly require study and adjustment.

Comprehensive and detailed provisions have already been laid down in the draft National Programme for Agriculture. But problems have continually to be solved in the application of these plans. The State will have to continue increasing the amount of investments and other State appropriations for agriculture, but how to get the best value from the funds invested entails much careful study. Agricultural investments are mainly used for three purposes: building water control projects, developing the fertiliser industry, and opening up wasteland. Emphasis on water control projects is to be laid on medium and small projects and on wells, canals, ponds and drainage works, in order to expand the irrigated area, reduce waterlogging—one of the most critical problems—and promote production. Large-scale water conservancy projects are now regarded with a sceptical eye, after the salutary experience in the Huai River region. Hereafter they will have to be built only after the most careful and detailed surveying, overall planning, research and discussion. The dams, dykes and new channels, built with such fanfare in the first five years of the regime, solved some problems only in part and gave rise to others which had been ignored, such as an effective drainage system for surface water which would prevent waterlogging. In Hopei, Shantung, Honan, Anhwei, and Kiangsu—five of China Proper's most important provinces—50 to 100 million mow of low-lying land is annually waterlogged, causing a reduction in output of grains by 10,000 m. to 20,000 m. catties every year. Solution of this problem will also facilitate the development of industrial crops in the local areas. Waterlogging is to be tackled as a long-term, ten-year task.

Factories are to be built to produce various types of chemical fertiliser and the planners are told to develop large, medium and small plants, especially the two latter types, and to ensure the rational distribution of the factories. Meanwhile, and for a long time to come students and others sent to the countryside will have to help the peasants in the most unpopular of the farming chores—the accumulation and proper distribution of ordinary manure. In land reclamation work, emphasis is to be placed on fertile, high-yielding areas with good communication facilities and located near industrial bases. None of the reclamation projects is easy on the workers who have to do the job. In some areas the complete absence of all save the most primitive amenities is allied with an exceptionally harsh winter. But the work

goes on just the same. Effective measures are required to end a situation in which arable land falls into disuse in some hilly areas, since farmland in the hilly and rugged areas makes up one-half the total arable land of China.

The total value of industrial output is scheduled to be between 8 and 10 per cent higher than in 1957. Industries producing fuels and certain raw materials now very short are to be stressed. Chemical fertilisers and coal are to be increased to promote the growth of agriculture; ferrous and non-ferrous metals, petroleum, salt and soda should be greatly developed to meet the growth of the machine-building industry and the transport equipment and chemical industries. More attention is laid down to urgently needed products in the ferrous metals industry and to the production of copper in non-ferrous metals, while the export of mining products is to be increased to make up for the drop in the export of foodstuffs.

Emphasis is again laid in this section on the medium and smaller enterprises, and handicraft co-operatives are to be encouraged, so as to help utilise China's abundant manpower. The existing production capacity of the machine-building industry is comparatively large but efforts should continue to raise the rate of self-sufficiency and to try out and produce new products. Arrangements are urged for the co-ordination of defence industry with the civil industry, specialisation with co-ordination, and machine-making with repair. Investment in capital construction of the machine-building industry in 1958 will be slightly less than in 1957 and will be used chiefly to develop the heavy machinery and precision machinery industries.

In light industry, the problem is to arrange production in the textile industries. Production of cotton cloth in 1958 can be maintained only at the 1957 level, and this will cause difficulties in the production of yarn and cloth and in the organisation of the market in 1958. Because of this, socialist indoctrination must be intensified among the peasants, and the ideologists will have, like the village fair cheapjack, to talk fast and move quickly to make them see that though they will have less cotton cloth their standard of living still rises. It is suggested that all fibre-yielding raw materials should also be exploited—another development hard to carry conviction.

The rest of this disquisition on the national plan for 1958, outlined in a long editorial in the Peking People's Daily on September 7, consists of the well-worn Party cliches about increasing production and practising economy with which most of the people must by now be thoroughly weary. But the necessity for increasing production and exercising the utmost economy seems annually to increase rather than decrease. There is still major anxiety about the output of food grains, cotton, and raw materials for industry. Construction work is to be linked closely with the present economic level and equipment should as far as possible be made in China. Projects of secondary importance and unnecessary equipment are to be cut down and inter-factory co-ordination is to be organised to avoid duplication of subsidiary and repair shops. All military and political organs, cultural and educational departments, and people's organisations must go a step further to practise rigid economy and cut down military and administrative expenses. A plan made in this spirit, says the Peking paper, "will definitely lead to a new upsurge in China's national economy during 1958 and create a good beginning for the second five year plan." But it is quite apparent that Peking shares the doubts and misgivings of many others.

REPORTS FROM CHINA

Progress During 1953/57—Peking Statistical Bureau revealed that China's capital investment during first five-year plan has reached 43,200 million yuan. Fixed assets valued at 32,260 million yuan have been added since 1953. Of this figure, 17,640 million yuan worth of assets have been added in industry. Fixed industrial assets in 1949 were about 15,800 million yuan. 825 major industrial projects are now under construction, 131 more than specified in the five-year plan. Of the 156 Soviet aided major projects, 53 are finished, 78 are under construction and the rest about to begin.

Since 1953, 402 major factories and mines have gone into full or partial operation. They include the Harbin Measuring Instruments and Cutting Tools Plant, the Harbin Boiler Plant, the Harbin Electrical Instruments Plant, the Changchun No. 1 Motor Vehicle Plant, the Shenyang No. 1 Machine Tool Plant, the Peking Electronic Tube Factory, the Taiyuan Heat and Power Plant, the Fularki Heat and Power Plant, the Chungking Power Plant, the Haichow Open-Cut Coal Mine, the Tungshan Shaft Coal Mine of the Hokang Collieries, 15 state-owned cotton mills and the Seamless Tubing Mill, the Heavy Rolling Mill, the Ore-Dressing Plant, the Ore Sintering Plant and six large blast furnaces in the Anshan steel centre.

In communications and transport, 16 out of 36 new trunk and branch railway lines under the five-year plan have already been completed, adding more than 46,000 kilometres of new railways. The Yangtze River Bridge system at Wuhan has just been completed. In addition, more than 40,000 kilometres of highways have been added, including the Kangting-Tibet Highway (formerly Sikang Tibet Highway), the Chinghai-Tibet Highway and other major roads.

New reservoirs and water detention basins with a total storage capacity of over 7,200 million cubic metres of water have been constructed since 1953. The major ones include the Kwanting, Nanwan, Meishan, Poshan and Futzeling reservoirs. More than 2,100,000 hectares of farm land have been newly brought under irrigation in the same period. The state has purchased over 13,000 tractors (calculated in term of 15 horse power each). More than 5,300,000 hectares of wasteland have been reclaimed.

Since 1953, buildings amounting to 7,050,000 square metres of floor space have been constructed for higher educational institutions and 10 million square metres of floor space for middle schools and teachers' training colleges. The number of hospital beds has been increased by 85,000. Workers' housing amounting to more than 66 million square metres was built between 1953 and 1956; by the end of this year the figure will reach 80 million square metres.

Power Stations—The recently completed thermo-power plant in Chengchow, which has more than doubled the original electricity supply in this area, is the first of its kind designed by Chinese engineers. The turbine and the boiler were imported from East Germany. This plant is the second 5-year-plan power plant built in Chengchow. The first went into operation in 1953. Apart from meeting the needs of the growing industry of Chengchow, the new plant will supply power to the industrial centre of Loyang and the Sanmen Gorge hydro-power project.

In Yunnan, construction began last week on a new hydro-electric power station on the Yi Li River in northern part of the Province. It will be the second on this river

and have a generating capacity of 144,000 kilowatts. Its water head will be 650 metres, the biggest thus far in China. The Yi Li River is a tributary of the Kinsha Kiang. The power station is being built at a point between the Yi Li and the Kinsha Kiang.

New Factories—A radio parts factory in Peking began production last week. This factory will turn out all types of radio parts for tele-communications and other radio equipment including selenium rectifiers, film-type carbon resistors, film-type carbon potentio-meters, various types of tightly-sealed condensers, metallized paper condensers, electrolytic condensers, ceramic parts for high-frequency applications, and precision instruments. German experts have trained Chinese technicians in the course of three years' construction and trial operation of this plant. Most production equipment was made in Germany. Vice-Premier Po I-po said that this factory was the next big step forward in China's radio industry, after the completion of the Peking Electronic Tubes Factory in 1956. He also disclosed that China will, in the reasonably near future, build a whole series of radio plants with the help of the Soviet Union and other socialist countries.

In the Tsaidam Basin in Northwest China, an oil refinery, the first in this area, went into operation early this month turning out gasoline, kerosene and fuel oils. Prospecting and drilling is continuing in this centre. In Heilungkiang, a new sugar refinery (the Tsitsihar Sugar Refinery) with an annual capacity of 25,000 tons of sugar was completed recently. This is the fourth refinery built during the first five-year plan period in this province. The bulk of the equipment of the plant was made in China supplemented by Czechoslovak machinery. In Lanchow, a cement plant designed and equipped by Germany started trial production two weeks ago. Construction of this plant began in 1954; it is the biggest in Northwest China. In Paotong, construction of a synthetic fibre factory began last month. The factory is designed with the help of German experts and will be equipped with machinery from that country. It is divided into two sections; the rayon section will be completed in 1960 with an annual capacity of 5,000 tons of ordinary artificial silk while the section for synthetic high strength fibres will be completed in 1962. This second section will produce 830,000 sets of motor vehicle tyre cords annually in addition to 5,000 tons of synthetic high strength fibres.

Iron and Steel Output—Anshan's pig iron output this year will be 2.3 million tons more than in 1952; output of steel 2,000,000 tons more and rolled steel 1.7 million tons higher. Anshan is turning out 2,800 different types of iron and steel products and chemical by-products. Railway and bridge construction, locomotive works, shipyards and motor car and machine building plants all over the country are now supplied with products from Anshan. In the four years and nine months since 1953, 33 major projects have gone into operation in Anshan including four steel rolling mills, two steel smelting plants, six blast furnaces and nine coke oven batteries. There are now over 2,000 engineers and technicians in Anshan.

Fertiliser Output—China will be able to turn out six million tons of chemical fertiliser annually by 1962 according to the Ministry of the Chemical Industry. The fertiliser output, set in the draft plan for the development of this industry in the second five-year plan, will be eight times as much as the output of 1957. The output of nitro-

CURRENT ECONOMIC SITUATION OF JAPAN

The economy of Japan has ushered in a completely new aspect due to the raising of the official rate by the Bank of Japan and the decision to carry out a series of tight money policies. Though the improvement of the balance of international payments is the supreme order of the day, it seems unavoidable that Japanese economy will embark upon a period of readjustment. The recent state of Japanese economy can be summarized from such a viewpoint as follows:

Financial Policy Change And Its Background

The Bank of Japan on May 8, this year, raised the official rate by 0.73 per cent per annum and at last launched the enforcement of the tight money policy. The official rate had already been raised by 0.365 per cent per annum on March 20. Thus, when the most recent increase is added, the rate has seen a large-scale upswing of 1.095 per cent per annum in a short period of about 50 days. The Bank

genous and phosphorous fertiliser this year is expected to reach 755,000 tons. During the past 5 years, China completed the construction of six large nitrogenous and phosphorous fertiliser plants and the expansion of two old nitrogenous fertiliser plants. The new nitrogenous fertiliser plant in Kirin has already started operation. The expansion of the fertiliser industry has taken up 40% of the total investment in chemical industry in the first five-year plan.

Cotton & Grain Output in Hopei—Hopei expects a harvest which will yield an estimated 325 kilogrammes of ginned cotton per hectare; the total output will come to 315,000 tons. Total grain output in the province this year will reach 10,000,000 tons, 9.9% more than in 1955. Eight counties in the province gathered a per-hectare yield of 3,000 kilogrammes. This reached the level set in the national programme for agriculture which stipulated that within 12 years beginning 1956, the average annual yield of grain in the northern part of the country should be raised to 3,000 kilogrammes per hectare.

Higher Education—369,000 students graduated from colleges in the past eight years, the Ministry of Higher Education announced recently. Total enrolment in institutions of higher learning averaged an annual increase of over 41,000 since 1949; it now reaches 447,000. 11 colleges have been set up especially for minority nationalities with a total enrolment of 14,000.

Motor Road—A motor road, stretching for 1,179 kilometres from southwestern Sinkiang to Tibet, has just been completed. This new highway, skirting the western borders of China, is the third to Tibet. It runs across the Kunlun and Kailas mountain ranges and for the most part runs at more than 4,000 metres above sea level; at its highest point, the altitude is 5,500 metres. The highway route was charted in 1954 with the help of local Uighur and Tibetan peoples and was completed in 19 months, beginning March 1956.

Livestock—There are now 22,160,000 head of cattle in Inner Mongolia—an increase of 6,440,000 head compared with 1952. During the past 5 years, the region supplied other parts of the country with 1,660,000 head of draught animals and beef cattle, 30,000,000 kilogrammes of wool and 8,000,000 hides and skins. In the same period, the herdsmen received government loans of more than 16,900,000 yuan to buy necessary tools.

of Japan's basic rediscount rate became 8.395 per cent per annum, the highest level since 1902. Close on its heels on May 13, the city banks' official ceiling on interest rates on deposits and loans were raised simultaneously by 0.365 per cent—0.730 per cent per annum.

In this fashion, the low interest rate policy, which had been consistently adopted hitherto, was revised. The significance of these measures is great from the standpoint that the orthodox money rate policy, for long laid aside in Japan, has been at last restored. What caused the Bank of Japan to again raise the official rate and to adopt the tight money policy? The reason is the conspicuous upswing of import since the beginning of the year and the consequent marked turn for the worse of the balance of international payments.

Observing the foreign trade trends from this January to April from the angle of foreign exchange receipt and payment immediately previous to the second mark-up of the official rate, we find that export rose smoothly aggregating \$881-million (13.7 per cent upswing compared with that of the corresponding period of the previous year) but import soared to \$1,144-million, showing a tremendous increase of 60.7 per cent over the total for the corresponding period of the year before. As a result, the balance of international payments, which showed a receipt excess of \$293-million during last year, continued to register large-scale red ink figures every month from the onset of the current year, the payment excess reaching an enormous total of \$188-million in the short four-month period from January to April. In parallel with it, Japan's foreign currency holding declined rapidly, there being an outflow of \$3.3-million during the same period. Moreover, it became clear that import decline cannot be anticipated unless the tempo of production upswing falls because such rapid increase of import as seen since the beginning of the year has its roots basically in the rapid expansion of Japanese economy centring around the investment in plants and facilities which became still more animated since the year before last.

It was concluded that the balance of international payments will continue unfavourable to a large extent and foreign currency holding will drop at least until around August or September. Such a situation led the Government to enforce a tight money policy in order to check investment in plants and facilities, which is the primary factor behind the rapid import upswing, and thus to improve the balance of international payments. Government had been hitherto optimistic over the future of balance of payments, subscribing to the view that the recent sharp import upturn is only a temporary phenomenon in conjunction with increased stockpiling of imported raw materials inventory.

Recent Business

Tightening measures have been enforced one after another in both the general and the foreign currency money markets having as their turning point the raising of the official rate on May 8. As a result, favourable business enjoyed over a period of three years in the past confronted a turning point and various deflation phenomena have gradually come to the surface recently, as listed below:

(1) Fall of Commodity Prices: The steep upward trend of commodity prices maintained since last year finally came to a halt this April. With the shift to the tight money policy as the turning point, commodity prices began

to slip back. Wholesale commodity price index (June 24, 1950=100) reached the postwar record level of 174.8 points on April 6, this year. Subsequently, reactionary fall continued, declining to 167.7 points on June 22, registering the lowest mark since the beginning of the year. The rate of decline during the interim was as high as 4.1 per cent. Especially, the drop subsequent to the raising of the official rate was marked, the downward rate between May 4 and June 22 being 3.2 per cent. The decline of foodstuff, textile and metal prices was conspicuous. The upward trend of machinery, fuel and building material prices, which hitherto have been particularly marked, at last came to a stop. On the other hand retail commodity prices climbed upward. Tokyo retail commodity price index rose 4.1 per cent between January and May. However, this fell sharply in June, dropping 1.1 per cent compared with the previous month, mirroring the fact that the effects of the tight money policy have finally begun to influence the consumption phase.

(2) Tightness of Basic Money Situation: The greatest cause for such conspicuous turn of the reactional fall of commodity prices is the fact that the basic money situation has become more stringent in step with the enforcement of the tight money policy. The balance of Government payments to private quarters registered an unexpectedly large-scale receipt excess for both May and June for reasons such as: the continued maintenance of the satisfactory tone of tax payments, the enormous receipt excess in the Foreign Exchange Account reflecting the sharp increase of import, etc. Bank of Japan loans have been increasing steadily in spite of the fact that the up-trend of loans of city banks had been controlled by a directive of the Bank of Japan. At June-end, the loan aggregate reached Y475,400-million, the highest record in the history of the Bank of Japan (the previous highest mark was Y437,400-million set on March 27, 1954). The open market interest rates on loans are being gradually raised, there being a marked upswing of the call rate in recent weeks. Furthermore, in spite of the raising of the rate of yield as of July and thereafter, the flotation of various debentures has recently become difficult. The raising of funds for various enterprises has become exceedingly difficult, the tight money policy gradually beginning to make its strong influence felt in the field of enterprise financing, resulting in the increase of dishonored bills, company bankruptcies, etc.

(3) Stagnation of Investment Up-Trend: Because of such a situation, the upward tendency of investment—which in the past was the main pillar supporting business prosperity—is beginning to show recently signs of a retreat. In regard to investment in plants and facilities first of all, new inquiries coming to machinery manufacturers have

suddenly declined since the effectuation of the tight money policy. In parallel with it, negotiations for postponement or price reduction of contracts, revision of settlement terms, etc. have increased conspicuously in number. Furthermore, there has even appeared recently cases of the cancellation of portions of already-signed contracts. It is thought that the gradual decline henceforth of investment in plants and facilities—which has been on a steady upward course since the year before last—is unavoidable. As regards inventory investment, a trend exists toward inventory adjustment.

Outlook

Various deflation phenomena, in conjunction with the enforcement of the tight money policy, have emerged. The improvement of the balance of international payments—the top-priority target of the tight money policy—did not take immediate effect. The total of import letters of credit issued for May reached \$320-million, the highest postwar level, and the balance of payments recorded a payment excess of \$97-million. Consequently, the May-end foreign currency holding fell below the \$1,000-million level. As a result, the Government confronted the necessity of enforcing further measures for the betterment of the balance of international payments. A series of counter-measures, embracing government finance, money market, foreign trade, domestic administration aspects, to forestall the aggravation of the international balance was decided. The substance of these measures is as follows:

(1) Export-promotion measures will be adopted and restraint of import shall be devised. (2) Fifteen per cent of the current fiscal year Government investment financing plan fund (investment plan for Government funds) and 8 per cent of the public works funds shall be deferred to the next fiscal year or thereafter, on one hand, and non-urgent non-essential private investment in plant and facilities shall be checked to the limit, on the other. (3) The increase of Bank of Japan loans shall be checked and long-term interest rate shall be raised. (4) Consumption shall be restrained and the increase of savings shall be sought after. (5) Loans from the International Monetary Fund (IMF), the World Bank, and the Export-Import Bank of Washington, shall be expedited (A loan of \$125-million from the IMF on June 28 and a short-term loan of \$175-million from the United States Export-Import Bank on June 29 were concluded).

In consequence, the deflation policy will be further strengthened through the successive implementation of these measures. The Government anticipates that the international balance will recover its state of equilibrium by autumn through the above-mentioned series of counter-measures.

JAPANESE RESEARCH IN S. E. ASIA

A Japanese ethnological research team left for a seven-month study tour of Southeast Asia. The project, lasting from September to March next year, will cover Thailand, Cambodia, Laos and South Vietnam. It is sponsored by the Japanese Society of Ethnology with financial assistance of the Ministry of Education. The primary aim of the project will be to acquire information on the origins and characteristics of Japanese culture. It is believed that Japan owes much of its cultural background to these nations. An intensive and comprehensive survey will be made of the living conditions of the various peoples and communities. The results of the survey will be compiled separately.

Comparative research will be conducted on the following subjects: 1. Genetic study of rice-plants, 2. Comparative study of farming techniques (including irrigation and farm implements), 3. Study of mythology, religion and rituals concerning rice culture, 4. Study of the social and economic structures of rice-cultivating peoples, 5. Historical and archaeological studies, 6. Linguistic survey, 7. Study of cultural relations between Southeast Asian countries and Japan, 8. Study of the distribution and descent of tribes, 9. Study of the problem of modernization (urbanization, acculturation, feudalism, etc.), 10. Study of the suitability of Japanese immigration, 11. Preparation of records of motion-pictures, photographs and sound recorders (a re-

FOOD GROWING IN MALAYA

Growing more food in Malaya and experimenting with new crops is necessary. Malaya is determined to become more self-sufficient in its essential foodstuffs. It has the land and it has the energy to tackle new enterprises so there is no reason why, in another five or 10 years from now, Malaya should not be the showplace of the East in its variety of agricultural products. Millions of dollars are being poured by the U.K. Government and other agencies into schemes for better drainage and irrigation of land coupled with the reclaiming of swamp forest and converting it into productive fertility. Four-fifths of the country still lies under jungle so there is no shortage of land once the steaming vines and jungles creepers are torn away to make room for farms and smallholdings.

Malaya must reduce its virtual dependence on rubber and tin, two products which have made this a rich country. Undoubtedly for years these two industries will continue to be the main sources of revenue but why not have equally prosperous coconut, coffee, cocoa, oil palm and fruit industries to offset any depression which might arise from tin and rubber? Citrus fruits and oranges can be grown in Malaya in addition to its own native fruits. Nurseries for these now exist in several centres from which Malayan farmers can buy saplings for planting on their own land. Today practically all the oranges eaten in Malaya are imported but tomorrow it could well be another story.

porter and a photographer from the Yomiuri Shimbun as well as three news cameramen from the Yomiuri Eiga Co. accompany the expedition).

The research group is headed by Professor Nobuhiro Matsumoto of Keio University. It will be split into two teams, one to explore Cambodia (led by Prof. Matsumoto) and the other to investigate Thailand (led by Prof. Toshio Kawabe of the Tokyo University of Foreign Studies).

The two teams assemble in Saigon and proceed up the banks of the Mekong River. At Phnom Penh, the Cambodian capital, the Thai team will turn left and travel via Bangkok to the vicinity of Chiangmai and to the Burmese border. It will then move southward toward the Thai plains and conduct investigations in the area of Udon and Loi-et. The Cambodian team will head up the Mekong River and proceed close to the Yunnan border. It had always been believed that the remains of many ancient tribes who formerly inhabited Japan and the coastal regions of the Pacific Ocean could be found in the area to be investigated. No full-scale research, however, had ever been undertaken, although archaeologists of various nations have at one time or another carried out scattered explorations.

Ever since the 19th century archaeological expeditions have been dispatched by such organizations as the Asian Academy of Thailand, Cornell University in the United States, Chicago's Field Museum and Hanoi's Far Eastern Institute. French ethnologists, archaeologists and missionaries have carried out individual studies of their own. But since these surveys were not comprehensive, this region remains a treasure-house for ethnological study. The coming investigations will seek to throw the spotlight on this treasure trove from various angles: ethnology, archaeology, language, religion, agriculture, technology, culture, etc. The fact that the survey will be on a larger and more comprehensive scale than ever before in the past has attracted considerable attention from various quarters. The survey is expected also to provide valuable material indirectly on the question of immigration to this area. This problem was raised by Cambodia last year and recently by Laos.

Another scheme has been worked out whereby the existing acreage of budwood nurseries will be expanded to give sufficient budwood for the production of 1,500,000 budwood fruit trees a year, or enough for new planting or replanting of fruit at the rate of 36,000 acres a year. The small Malayan farmer is gradually losing his reluctance to experiment with new crops. In the past he would much prefer to stick to his old crop and make a safe living instead of planting other items which could well double his income. The breaking down of tradition by British officials and experts has been a slow process but the independence spirit of Malaya has enthused farmers and we agree they must keep up with the times. There are still those who are adamant against diversifying their crops but these diehards are having their eyes opened when they see what their more progressive neighbours are doing.

This year another three new training centres where junior agricultural assistants can receive practical training will be opened in various parts of Malaya. Then the following year a Faculty of Agriculture will be inaugurated at the University of Malaya. Once trained this body of agricultural experts go out into the rural areas to spread their learning to the farmer who had not the opportunity of this higher agricultural education. Research is in full swing on livestock and pastures. Cattle are at present very little more than ancillaries to padi growing, but by developing better pastures and fodder crops and introducing better methods of management, it should be possible not only to increase the production of beef, but also to get better yields of annual fodder crops by the use of superior fertilisers and of rotations. New overseas breeds of cattle have been imported into Malaya for inter-breeding with local cattle thus producing a much finer stock able to produce more milk and a higher quality of beef. Experimental cattle stations are scattered up and down the Malayan peninsula and frequently parties of local cattlemen visit them on conducted tours. What normally happens is that the eyes of these cattlemen practically pop out of their sockets when they gaze at the size of the new breed.

Unquestionably Malaya is going to need much more food in the coming years to feed its increasing population. Today the country has 6,000,000 people but it is not generally known that half of this figure are young people under the age of 20. Consequently it is very likely that the population could practically double in the next two decades. No country in the world has so many juveniles and children in ratio with its adult population as Malaya has. Now that farming is being considered under a new light there is every likelihood that more young Malayans will agree to go in for farming after leaving school. The drift from the land to the cities has been a cause of considerable anxiety in post-war years and now it is hoped there will be a flow of budding farmers in the opposite direction. With the assistance which can be given today by the Government-sponsored Rural and Industrial Development Authority, there is no reason why farming should be the back-breaking job it was half a century ago. Hundreds of Malayan farmers are today car-owners and many more have motor-cycles. By using Western methods of tilling the land, and planting better crops they have lifted themselves from out of the lower income group into the ranks of the comfortably off middle class.

There still remains much to be done to further increase the purchasing power of the man on the land for Malaya remains an agricultural country and in the foresee-

able future it is certain to remain so unless some vital mineral deposit is unearthed which will change the whole economics of its prosperity. The post-war progress Malaya has made with its overseas sale of pineapples shows what can be done. They are today accepted as comparable with the best grown anywhere in the world. Today tins of these

pineapples can be found in shops throughout Europe, Africa, Australasia and Asia, all bearing the stamp, "Grown in Malaya". In the next few years especially in South-East Asian countries they are going to become far more familiar than they are today with this stamp. The grow-more-produce campaign is beginning to get into its stride.

THE COMMERCE OF SARAWAK

The commerce is conducted by a small but increasing number of agency houses, and by many Chinese merchants. The most important agency houses are the leading European companies but there are also Chinese firms holding valuable agencies. These houses import from Great Britain, Singapore, or from other countries proprietary articles for which they are the sole distributors. They hold a number of these important agencies as buyers for their own account, but they also undertake the functions of a branch office of their principals (the marketing organisations of the great combines). In addition to the sale of goods they carry on insurance and other business, and purchase and export produce in competition with the Chinese merchants. The agency houses also act as agents and secretaries for the few large rubber estates in Sarawak and carry on other activities which come, more properly, under the heading of "production". Timber working is one such activity.

The Chinese merchants engage in the wholesale and retail distribution of goods and the purchase of local produce. Not all of the firms trading under Chinese names have Chinese members only, but this is generally so. There are a number of Indian merchants trading almost exclusively in textiles.

The trade of Sarawak is still very closely linked with that of Singapore, and comparatively little arrives in the country direct from Great Britain, Australia or other sources, or upon through bills of lading; even goods shipped on through bills normally require transhipment in Singapore. Most of the imports are from bulk supplies held by Singapore merchants, or from the large Singapore distribution depots, and most of the general produce of the country goes to Singapore for sorting, grading, bulking and re-export. There are however shipments of sago and rubber on through bills to other countries, and most of the territory's exports of oil and timber are shipped to places further away than Malaya. Hongkong, the United Kingdom and Australia are the principal recipients of the latter commodity.

The import of goods from Great Britain and other distant places is almost entirely in the hands of the few European firms, but the whole trade of the country passes, at one stage or other, through the Chinese merchants, who

carry on a "small shop" trade. In the larger towns and bazaars there are shops engaged solely in the sale of goods for cash (or more often on credit—the system in almost universal use throughout the country), but many combine the purchase of rubber and other produce with the sale of sundry goods. Often the small bazaar shop stocks every commodity its customers could possibly need, a system well suited to the practice of "tying" customers to the shop by extensive credit. The effect is that shops side by side offer for sale virtually the same goods. In up-country bazaars the Chinese merchant must provide lodgings in his shophouse for his Dayak and other customers: he is their host, their banker, and their universal supplier.

The more important shops in the towns are usually linked with firms in Singapore, which supply their goods and receive their produce. Similarly Sarawak firms have their associates in up-river and coastal bazaars, and supply them with goods. In return they receive rubber, pepper, and jungle produce by sale or barter. The jungle produce is chiefly rattan cane, damar and various types of guttas, of which jelutong is used in the manufacture of chewing gum.

Most of this jungle produce comes from remote districts where the inhabitants themselves provide virtually all their own necessities. The up-river Chinese trader, however, knows how to cater for the whims of the people and stocks valued objects such as large, glazed, urnlike earthenware jars, and brass gongs. Shot-guns and out-board motors are also esteemed, both for their utility and the prestige they bring.

Very little weaving is now done locally, so that imported cloth has become a necessity. Apart from this, in places far from the towns, oils and salt for lighting and cooking are really needed by the natives except when the local padi harvest fails, or is short. But it is surprising to see how great a variety of goods is normally to be found even in the remotest bazaar: so wide are the ramifications of this "small shop" trade.

Some Chinese firms carry on business in the purchase of pepper and sago flour for export, and these are specialised trades. The Department of Trade and Customs grades pepper and sago for export.

ECONOMIC REPORTS FROM MANILA

Production at the Toledo mines of the Atlas Consolidated Mining and Development Corp. passed the 4,000,000 pounds per month level for the first time in August. Actual output was 4,210,292 pounds of copper produced. This figure was based upon the milling of 378,657 tons of ore which produced 8,272 dry short tons of copper concentrates averaging 25.45% copper and .13 ounce of gold per ton. The concentrates were estimated to contain the above amount of copper and 1,075.4 ounces of gold. The month's production represented an increase

of about 17% over the July record. As a result of this, as well as of July's increased production, the company's overall cost per pound of copper will be further reduced from the P.455 reported for June, when production was 3,123,795 pounds. Combined peso value of all August shipments from Toledo and from the company's Mati iron mine was P2,169,766.

Marsman and Company reported that the three mining companies under its management showed an aggregate production of approximately P630,000 during August. The

Itogon mine of Itogon-Suyoc Mines, Inc. treated 14,800 tons of ore, recovering 2,535 ounces of gold valued at P814,370. Operations were normal except for loss of the use of a mine locomotive for a period of 10 days, causing a decrease in the delivery of ore to the mill. At Palawan, Palawan Quicksilver Mines, Inc. produced 22,788 pounds of mercury worth P151,812. This shows some improvement over last month's production of 20,946 pounds of mercury valued at P141,188. Palawan Consolidated Mining Company early in August shipped 1,500 tons of metallurgical chromite ore worth approximately P164,000 to the United States. The next shipment of more than 2,200 tons scheduled late in September is destined for Europe. This is the first time that chromite ore from the Palawan Mine will arrive in Europe.

A new company to engage in the exploration for oil and the mining of metal ores is the Pacifica, Inc., with an authorized capital of P650,000, of which P130,000 has been subscribed and P65,000 paid up. Listed among the incorporators and stockholders are Olivera Laperal, Emma L. de Laperal, Go Pailian, and Rodolfo M. Lejano.

Tremendous expansion in bank credit was recorded last year. In 1956 the Central Bank granted commercial banks a total of P447,000,000 as loans and advances, as against only P141,000,000 in 1955. This expanded credit could have created tremendous inflationary pressure if it had been spent for consumer goods. However, the bulk of it went to buy machinery and equipment and materials for new or expanding industries. Even when bank credit was rising to record levels last year, money appeared tight to the average wage earner because a good deal of the new credit went into production rather than to consumption. This year credit is going to be tighter for the average wage earner and his earnings will look smaller because of rising prices. But what makes his income really appear small is the fact that his needs have increased much faster than his earning power. The average employee in an average-sized commercial firm, for instance, now wants to own a radio set, an electric stove, a refrigerator and even a car and a home. Prices appear to rise much faster in the urban areas; but not the income of city dwellers. This explains why buying power in the cities has declined and why money seems tight. In the rural areas, on the other hand, farmers income has shown a marked improvement

the last few years whereas prices have not gone up as much as in the urban areas. This is the reason why insurance companies are selling more insurance in the rural areas these days. And why the Central Bank is selling more government bonds to rural folks.

Thomas Robertson and Sons of Rochdale contracted to design and equip the first flour mill in the Philippines. The machinery concern would build the most modern plant of its type in the world for the newly-formed Republic Flour Mills of the Philippines. The \$1,000,000 plant on the Pasig River will be able to handle 240 tons of imported grain per day.

The Foreign Exchange Department of the Central Bank advised banks that dollars made available by the U.S. International Cooperation Administration for Philippine purchases of milk have been exhausted. Banks have thus been advised that foreign exchange to cover milk imports must now be secured through the Import Department of the Central Bank.

The application was approved of the Linco Industrial Corp. to establish a plant for the manufacture of cotton seine twine for fishing nets and cotton wrapping twine. The firm will make types of twine not now manufactured and will not need any foreign exchange allocation for raw materials, since it is expecting to get its cotton from American surplus stocks under U.S. Public Law 480. In case U.S. surplus cotton becomes unavailable, the firm will be considered for foreign exchange allocations to buy cotton—if Central Bank reserves permit. The company is capitalized at P6,000,000, of which P1,200,000 will be initially subscribed and paid up.

Oil drilling in Luzon has proved so far disappointing. Much has been made for quite a long time of oil deposits but all this talk of future riches was premature. There is no need to be pessimistic but it would be foolish to base any estimates of future Philippine growth on the exploitation of mineral oil. Perhaps nothing will come out of the millions of pesos so far poured into bottomless holes. Mineral resources, fortunately, prove ever more satisfactory and exploitation of them appears rosy. Lack of trained labour and lack of coordination generally are stumbling blocks in a country where sweat and toil are distinctly disliked and a happy banana existence is the dream of—almost all. And why not?

REPUBLIC OF INDONESIA

HISTORY

Indonesia's history is most colourful. It is a story of old kingdoms, of mighty kings and of an ancient culture, but also of colonialism and revolution. In the pre-historic era, Indonesia was inhabited by short, dark-skinned people. Eventually, these people were overwhelmed by countless migrations of people from the Asiatic mainland. It is probable that this influx of Asiatics continued into modern times.

The advent of the Hindus about 2000 years ago was a milestone in the history of Indonesia. The migration of the Hindus was distinct from previous migrations in that it has had a deep and lasting influence on the Indonesian people up to this day. The Hindus most of whom came as traders introduced their highly developed culture and religion in the islands. In a relatively short period, large numbers of the population adopted the Hindu religion. Hindu Kingdoms arose of

which Jajadjaran in West Java was important. In the wake of the Hindu traders came the Hindu Buddhists who brought with them Buddhist culture and religion. This religion also had great influence on the people.

Buddhism reached its peak in the 7th century with the rise of a mighty kingdom in South Sumatra by the name of Criwidjaya. The influence of this kingdom extended to all parts of the archipelago and reached far beyond its borders. The University of Criwidjaya, the first of its kind in the archipelago, was frequented by many scholars from other Asian countries. Another great Buddhist monument was the Borobudur, a stupa in Central Java which was built in the eighth century by a king ruling over an area in the central part of Java. In the 13th century, Hinduism gained supremacy over the archipelago. The Majapahit Empire, a Hindu kingdom under King Hajam Wuruk and Prime Minister Gadjah Mada, succeeded in dominating the entire archipelago after conquering Criwidjaya and extended her influence to the neighbouring countries. The Hajam Wuruk

period is recorded in history as a golden era for the Indonesian people. The empire continued to hold sway till the end of the 15th century when it gave way for the rise of Islam.

The Islamic religion was introduced in Indonesia by traders from Persia and the western coast of India. In a short period, it was able to gain influence among the masses, first in coastal places, and afterwards extending into the interiors of the islands. Towards the end of the 15th century, the first Islamic kingdom arose in Demak, Central Java. Majapahit, growing weaker by inner conflicts among the ruling class, was unable to check the rise of Demak and eventually had to recognise the latter's supremacy. With the fall of Majapahit, the Hindu era in Indonesia came to an end.

Hindu followers who did not want to embrace Islam, fled eastward to Bali where they continued to worship in isolation. Up to this day, Bali is the only island in the archipelago where the greater part of the population embrace the Hindu religion.

Among the Islam rulers of Indonesia, Sultan Agung Hanjokrokusumo of Mataram in Central Java (1613-1647) was the most celebrated. He succeeded in uniting the greater part of Java under his rule. His efforts to restore Indonesia's prestige to that under Hajamwuruk's rule failed because of the presence of the Dutch in the archipelago.

The first Dutch traders arrived in Indonesia towards the end of the 16th century. They settled in some coastal places, built fortresses there and succeeded in driving away other European traders including the Portuguese who had earlier reached Indonesia. From that time on the Dutch had a free hand to put into effect their colonising the archipelago. On 31 December 1799, the handing over of the archipelago as a colony to the Netherlands Government by the V.O.C. (United East-Indies Company) took place.

The Indonesian people look back on Dutch colonization with bitterness. Discontent among the population eventually resulted in revolts breaking out in many places. The period of Dutch colonial rule was punctuated by a great number of revolts and uprisings staged by the people against the Dutch. Trunajaja, Surapati, Tuanku Imam Bondjol, Teuku Umar, Diponegoro were some of the many heroes who led the people in the fight for freedom. One by one, however, the revolts were suppressed. This was due mainly to the divide and rule tactics of the Dutch. The beginning of the 20th century saw the emergence of organizations which sought freedom for Indonesia in other ways. The people's leaders at that time were convinced that organised resistance was the only way which might have a chance of success in the struggle against the Dutch. They therefore set out to implant national consciousness among the people. Early in the twenties there were already a great number of political organisations working according to a fixed programme. When the Dutch continued to ignore the demands of the people, a nationalist revolt broke out in 1926. This revolt was crushed and many leaders of the people were exiled to the malaria-infested region of Boven Digul (West Irian).

The next year (1927) the Indonesian Nationalist Party P.N.I. arose. This party, led by young Dr. Sukarno (who is now President of the Republic) adopted a policy of non-cooperation with the Dutch. A revolutionary party, P.N.I. based its struggle on the support of the masses. In 1930, Dr. Sukarno was arrested on charges of "endangering public order". Two years later he was released, however, to be arrested again the following year. In 1933 he was exiled to Flores (Lesser Sunda Islands) and afterwards transferred to Benkulen (Sumatra). Then came the Pacific War and the Japanese occupation, which formed the blackest

page in the history of modern Indonesia. For three years and a half the Japanese spoiled and plundered, forcing the people into military and labour service and compelling the surrender of a major portion of the crops. A revolt staged in 1944 by some units of the "Corps of Volunteers" under the leadership of Supriadi, was mercilessly crushed. A great number of officers leading the revolt were shot to death.

On August 17, 1945, two days after the Japanese surrender, Dr. Sukarno, on behalf of the Indonesian people, proclaimed the independence of Indonesia. With this proclamation, the Indonesian people entered a new phase of struggle. Immediately, the Indonesian youth took drastic steps to give content to the newly proclaimed independence. Japanese troops, then functioning as police forces for the allies pending the arrival of the British Occupation forces in Indonesia, were disbanded. In some places, the Japanese surrendered voluntarily but in many other places, they put up a stiff resistance. When British troops landed six weeks following the Japanese surrender, they found a government capable of preserving peace and security in the territories under its control. It soon turned out that the British troops brought with them Dutch officers who were to pave the way for the return of the Dutch colonial government to Indonesia. From the very beginning the Republican Government had made known its standpoint that it objected to the landing of Dutch officers and troops without her permission. As the British paid no heed to this warning, a tense situation soon developed. The situation became worse and at last fighting broke out after Dutch troops had started provocative actions against Indonesian forces.

In 1946, presided over by the British mediator, Lord Killearn, the Indonesians met the Dutch in a conference. The negotiations resulted in the signing in 1947 of the Linggadjati agreement according to which the Dutch recognized the de facto government of the Republic over Java, Sumatra and Madura. The agreement was, however, short-lived as the Dutch started a "police action" in July 1947 against the Republic and overran Republican territory. Under pressure of the United Nations, the Dutch were at last willing to conclude a cease-fire with the Republic. An uneasy truce followed. A United Nations Committee rendered its good offices to bring both parties to a compromise. As a result of the talks, the "Renville" agreement* was signed in January 1948. In spite of this agreement, however, the Dutch started an all-out campaign against the Republic on December 18, 1948 resulting in the occupation of Jogjakarta, the capital of the Republic, and the capture of Republican leaders including President Sukarno, Vice-President Hatta, and a number of cabinet members and government officials. But fighting went on. The Republican Army and the people resorted to guerilla warfare attacking Dutch positions in the cities from hidden strongholds in the rural areas. Meanwhile, the United Nations as well as public opinion throughout the world condemned the unilateral action of the Dutch to break the Renville agreement. A conference of Asian nations held in New Delhi on January 20, 1949 on the initiative of Prime Minister Pandit Nehru of India, denounced the Dutch actions and demanded complete sovereignty for Indonesia by January 1, 1950. Unable to settle the military stalemate in Indonesia while the pressure from outside was increasing, the Dutch agreed to a Round Table Conference in The Hague in August 1949 to negotiate the complete and unconditional transfer of sovereignty over Indonesia to the Indonesian Government. This transfer of sovereignty officially took place on December 27, 1949 in a ceremony in The Hague in which

* Called after the U.S. ship "Renville". The negotiations were held on board the ship.

Indonesia was represented among others by Dr. Hatta and Prof. Supomo. On that day, a new State, the Republic of the United States of Indonesia was born. This Federal Republic lasted only till August 17, 1950 when Indonesia became again a Unitary Republic lasting up to this day.

As the sixtieth member of the United Nations, Indonesia is working hard to put into effect the five principles of the Pantja Sila: Belief in Divine Omnipotence, Nationalism, Humanism, Social Justice and Democracy—on which the Indonesian State is founded.

GOVERNMENT

The Republic of Indonesia is a constitutional democracy basing its philosophy on the five principles of Pantja Sila, enunciated for the first time by Dr. Sukarno, the present President on June 1, 1945. With these principles to guide the Indonesian people, the Constitution of the Republic provides a form of government based on the separation of legislative, executive and judicial powers. Under the first Constitution, the form of Government was more or less modelled after the American pattern. The President, assisted in his work by a Vice President, was vested with wide executive powers. To run the administration the President appointed the Ministers who owed responsibility to him. The President in turn was responsible for the conduct of state affairs to the People's Consultative Assembly. In November 1945, with a view to the changing situation which was mainly caused by increased activities from outside to re-establish Dutch colonial rule in Indonesia, the leaders of the Revolution decided to change the form of government without violating the spirit of the Constitution. A Presidential decree issued on October 18, 1945 gave legislative powers to the Central National Committee, a body composed of a number of leaders of the people representing all layers and groups of the population. Until then, the Committee was only an Advisory body assisting the President in his daily work. The executive power was now in the hands of a Cabinet headed by a Prime Minister who was responsible to the Central National Committee.

This new form of government thus followed the European pattern providing for a President who "can do no wrong" and a cabinet owing responsibility to a House of Representatives. This pattern was maintained under the Constitution of the Federal Indonesian Republic (RUSI, for Republic of the United States of Indonesia 1949—1950) and is continued under the present Constitution.

The present House of Representatives has 225 members, composed of deputies of various political parties and independent members. To decide the agenda, a permanent Steering Committee has been established with a minimum membership of 11 representing all political factions. The House is further divided into as many sections as there are cabinet portfolios. Each section cooperates with and gives suggestions to the corresponding Ministry on matters related to her daily work.

The Constitution specifically guarantees the "Fundamental Human Rights and Freedoms," affirming that sovereignty is vested in the people. It safeguards the freedom of religion, conscience and thought; the freedom of assembly and expression, and the rights of universal suffrage.

With regard to regional administration, Indonesia is divided into ten provinces each of which is headed by a governor who is appointed by and represents the Central Government. Every province has its House of Representatives. The provinces are administrative units with a certain extent of autonomy. Preparations are now being made by the Central Government to give the provinces full autonomous status with the right to administer their own in-

ternal affairs. With the submission of the Bill on Regional Administration to Parliament, the last stages of the preparations have been completed.

The Republic of Indonesia upholds the principles of the United Nations, to which it was admitted on September 27, 1950. Indonesia follows an active independent foreign policy which aims at the preservation of world peace by close cooperation with nations all over the world.

POLITICAL PARTIES

The Constitution guarantees the right of the people to form political associations through which to express their political convictions and to canalize their desires and aspirations as regards the structure of the state and society. Indonesia is governed according to the principle of party representation in Parliament.

There are now about 25 parties and political groupings in Indonesia. Of this number, 11 have their representatives in Parliament. These parties can be classified according to their basic philosophies which are of three kinds, namely nationalism, religion and marxism. Those classified under the first category are the P.N.I. (Partai Nasional Indonesia, Indonesian Nationalist Party), P.R.N. (Partai Rakjat Nasional, National People's Party), Parindra (Partai Indonesia Raya, Party for Greater Indonesia), P.I.R. (Persatuan Indonesia Raya, Greater Indonesia Association). S.K.I. (Sarekat Kerakjatan Indonesia, Indonesian People's Association), P.R.I. (Partai Rakjat Indonesia, Party of the Indonesian People), etc. Parties based on religious philosophy include the Masjumi (Majlis Sjuro' Muslimin Indonesia, Consultative Council for Indonesian Moslems), P.S.I.I. (Partai Sjarikat Islam Indonesia, Association of Indonesian Moslems), Nahdlatul Ulama (Council of Moslem scholars), P.K.R.I. (Partai Katolik Republik Indonesia, Catholic Party of the Republic of Indonesia), Parkindo (Partai Keristen Indonesia, Indonesian Christian Party). Under the marxist parties can be classified the P.K.I. (Partai Komunis Indonesia, Indonesian Communist Party), Partai Murba (Humble People's Party), Acoma (Angkatan Communis Muda, Generation of Young Communists), Partai Buruh (Labour party), P.S.I. (Partai Sosialis Indonesia, Indonesian Socialist party), etc.

In Parliament, Masjumi and P.N.I. have the largest number of representatives. Then follows P.I.R., then the communist party.

Party-system in Indonesia has been known since the beginning of this century when the country was under the Dutch. At first, the organisations the people formed were dedicated to social improvement. But soon they took on political and economic overtones and their leaders set out to create national consciousness among the people. They adopted a policy of non-cooperation with the Dutch when the latter ignored demands for at least a degree of self-government and an improvement in working conditions. In 1926 the Indonesian people started a revolt, but were not successful. Many of their leaders were arrested and exiled to Western Irian. In 1927, Sukarno established a new party, the P.N.I. (Partai Nasional Indonesia). This party also followed a policy of non-cooperation. Within a short time it was able to rally thousands of followers throughout Indonesia. The Dutch, fearful of the rising new political figure, soon arrested and sentenced him to jail. He was eventually exiled to Banda Island, while the party was dissolved. From this time up to the Japanese invasion many other parties were formed. Though pursuing the same objectives, these parties often did not adopt the same line of action. Some were willing to cooperate with the Dutch and participated in Dutch sponsored "representative Coun-

ECONOMIC PROBLEMS AND POLICIES OF INDONESIA

Indonesia is an agrarian country in which the population produces primarily for its own subsistence. In addition, it is also a producer of agricultural and extractive commodities for export, on the proceeds of which it relies for the importation of almost all its capital goods, and of many indispensable items of consumer goods. Despite tremendous natural resources and wealth of raw materials, the standard of living of the people is pitifully inadequate.

Before the advent of colonialism, the Indonesian people had an agricultural technique as any then known. They were skilled in weaving, pottery, metal work, ship building and the arts and crafts. They built vessels in which they traversed the seas to trade products of their agriculture and home industries. But prior to the time they succumbed to colonial rule, their skills in agriculture and manufacturing had begun to fall behind the innovations which were then being introduced in the west, and this stagnation was intensified by the coming of foreign control. The colonial power concentrated on the production of primary commodities for export, and the population became increasingly dependent on imports even for finished goods previously produced in Indonesia. Finally, the Indonesians were unable to produce even the foodstuffs necessary for their subsistence. In 1952 Indonesia was compelled to import approximately 600,000 tons of rice, valued at about U.S.\$140 million. The first problem of Indonesia is therefore how to increase the production of subsistence crops.

Rice is the staple diet of the Indonesian people and its availability at reasonable prices has great influence on the whole economy. Thus, the price of rice has a powerful effect on the general price level and is a direct determinant of inflationary or deflationary tendencies. The increase of rice production is therefore a matter to which the government gives foremost attention. The government has undertaken many important measures as the introduction of better agricultural techniques and the sending of agricultural students abroad to determine the most suitable techniques for Indonesia. It has introduced credit facilities for farmers, encouraged cooperatives for processing and marketing crops and opened up new land. It was able to decrease the import of rice to 300,000 tons in 1953, and to 100,000 tons in 1954, despite an increase in Indonesia's population of 700,000 per annum. The government hopes to use some of the foreign exchange it is now saving through curtailment of rice imports for the purchase of equipment to

cils" while some continued the policy of non-cooperation. During the Japanese' occupation, the formation of parties was forbidden. The socalled people's organisation "Putera" (Pusat Tenaga Rakjat, Centre of People's Strength) was sponsored by the Japanese and had to follow their directives. As a consequence, some leaders went underground, but some cooperated outwardly with the Japanese. After the proclamation of independence on August 17, 1945, parties were allowed to be formed and came into existence in large numbers.

introduce mechanised rice cultivation, reclamation of additional land and improved methods of irrigation, such as the projects already under way in Sumatra and Kalimantan.

With respect to crops produced for export, many of them have not yet recovered their prewar volume, such as tobacco, tea, tapioca, sisal, spices and kapok. But there has been improvement in the production of certain commodities such as sugar. Since approximately 25% of national income is attributable to exports, the government is taking active steps to improve the situation of export crops by rendering assistance to the large producers as well as to the small-holders. The fact that Indonesia produces agricultural crops for export, exposes her to violent fluctuations in the world prices of such crops. A drop in prices will mean a deterioration in Indonesia's balance of trade, and consequently in her balance of payment. This is what has happened in recent years. In 1952, although the volume of Indonesia's export increased, the value fell by almost 4 million rupiah because of a drastic decline in the price of primary commodities.

For this reason it can be realised that, in order to get out of the present economic difficulties, the Indonesian people must not only broaden the nature of their production for export, but also broaden their production for home consumption, i.e. by industrialization. This implies an expansion of the basis of economic structure through industrialisation while preserving, where possible, the existing auxiliary sources. The Indonesian government is of the opinion that the soundest approach to this question should be based on the unique structure of Indonesia. Everywhere in Indonesia the people have spontaneously striven to compensate for the one-sided agricultural production by developing activities in the field of small industries. These village industries produce consumer as well as capital goods such as ceramic articles and agricultural implements. These small industries are the people's answers to the various forms of under-employment, while they also complement the income derived from agriculture and thus help to increase the prosperity of the rural areas. The Indonesian government encourages and supports the small industries with all possible means in order that these spontaneous activities of the population may strengthen the economic power of the rural areas. In addition to these small industries, other industries which process local raw materials for export are further developed such as rubber and copra. Furthermore, a long-term, large-scale industrialisation program has been started which includes the building of an aluminium plant, and various other industries which again will primarily be supplied by raw materials available in Indonesia. Progress has been made. While on the one hand, rice production is steadily increasing (in 1955 Indonesia needs no import rice at all) on the other many new industries have come up, such as the desiccated coconut factory in the Minahasa (North Sulawesi), the enamel factory in Djakarta and the Foam Rubber factory at Bogor (West Java).

MINING IN HONGKONG

Hongkong possesses a variety of minerals but not all of them are present in economic quantities. For example, the discovery of beryl aroused widespread interest a year ago but prospecting for this mineral has now ceased be-

cause the deposits could not be exploited economically. The main minerals worked are iron ore, graphite, lead ore, wolfram ore, kaolin, quartz and feldspar. The areas worked are on the mainland of the New Territories and on the

islands of Lantao, Chu Lu Kok, West Brother, Ma Wan and Tsing Yi. The approximate acreages covered by the principal minerals and various mining operators are as follows:

Mining Leases & Licenses

Wolfram Ore	1,337 acres
Iron Ore	648 "
Kaolin Clay	182 "
Lead Ore	150 "
Graphite	95 "
Quartz	51 "
Feldspar	12 "

Prospecting Licences

Graphite	84 acres
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Lessee or Licensee

Hongkong Mines Ltd.

The New Territories Mining Co. Ltd.

(Sub-Lessees—South China Iron Smelters Ltd.
Sub-Sub-Lessees—Mutual Trust Co.)

Yan Hing Mining Co. Ltd.

Hongkong Clays & Kaolin Co. Ltd.
Marsman Hongkong China Ltd.

Kowloon Mining Development Co. Ltd.

Ng Fuk Black Lead Mining Co. Ltd.

Man Kwai Chi

C. M. Castilho

Far Eastern Prospecting & Development Corporation Ltd.
China Mining Development Co. Ltd.

Yuen Siu Kan
(trading as Wah Sang Mining Co.)

G. H. Hsue
(trading as the Union Mine & Co.)

Lam Chung Kwong

Wong Ying

Lee Kee

Kwong Cheung Hing Co.

Sam Yeung Ceramic Material Co.
Lee Jackron & D. M. Law
(trading as Wah Lee & Co.)

Choy Chung Kwei
(trading as the Wing Sang Mining Co.)

Wong Wing

Yong Yin Wing

Minerals

Lead, Iron, Silver, Gold,
Copper, Zinc, Sulphur
and Silica

Iron and Wolfram

Wolfram, Molybdenite,
etc.

China Clay and Kaolin
Wolfram, Molybdenite
and Quartz

Kaolin Clay

Graphite

Graphite

Quartz

Wolfram and associate
minerals

Kaolin Clay

Kaolin Clay

Kaolin Clay

Kaolin Clay and Quartz

Feldspar and Quartz

Kaolin Clay and Quartz

Feldspar and Quartz

Quartz, Kaolin and
Feldspar

Quartz

Quartz

Kaolin Clay, Feldspar
and Quartz

Lessee or Licensee

Chan Ah Bing

Mak Sik Kan

Mrs. Wong Mei Yau

Fung Shing Hum

Production of various minerals during the first six months this year is listed below:

Mineral	Quantity (tons)
Iron Ore	47,231
Kaolin	2,834
Quartz	2,172
Graphite	1,335
Feldspar	583
Lead Ore	66
Wolfram Ore	22

Iron ore and Kaolin clay are exported to Japan, lead ore to the United Kingdom and Europe, and wolfram ore and graphite to UK and United States. Kaolin clay is also used locally by rubber manufacturers. Quartz and feldspar are solely produced for local consumption, principally by the glass-making, enamelware and ceramic industries.

Mining of iron, wolfram, graphite and lead are carried out by underground methods while kaolin clay, quartz and feldspar are worked by opencast methods. Prospecting and mining in the past with one or two exceptions were in the hands of small private operators with insufficient capital to embark on long term prospecting and development schemes, but the need for technically qualified staff and adequate financial backing is becoming more widely appreciated. The best equipped mines are the Ma On Shan iron mine, the Needle Hill wolfram mine, the graphite mine on West Brother Island and the kaolin area at Cha Kwo Ling.

The transition from opencast to under-ground operation at Ma On Shan was completed last year. After installation of a dressing plant about 2 years ago with the help of a Tokyo firm, the dressed ores improved to 60% ferrum iron. The deposits are estimated at about 9 million tons but the highest annual production has never yet reached 200,000 tons. Production of wolfram reaches no more than 20 tons per month because export demand is not strong. Export of graphite to US is increasing and Ng Fuk Black Lead Mining Company is prospecting this mineral in new areas; the ore on West Brother Island shows a fixed carbon content of 80/89%. Production of kaolin clay depends upon the demand from Japan and local rubber works; annual output during the past few years remained at about 5,500 tons.

In spite of the abundance of capital in HK, only a small portion has been invested in the mining industry. Of all the above listed operators only the Hongkong Mines Limited quote their shares in the local stock exchange; at present, HK Mines shares are at 4 cents per share. The company last year reported a loss of \$57,000.

HONGKONG BUILDING CONSTRUCTION

During the financial year ended March 1957, Government spent \$31.7 million in the construction of new buildings including \$12.5 m. on resettlement housing. Major works are listed below:

Central Government Offices—In December, Central Block and Legislative Council Chamber were completed; together with East Wing they provide 163,780 square feet of floor space. Construction of West Wing (final stage of the development) is now under way. A heavy retaining

wall to Lower Albert Road was completed in February and demolition of the old PWD buildings and excavation work started in March. This wing will be completed at end of 1958 and will provide 212,600 square feet of floor area as well as an underground car park for 125 cars.

City Hall—The reclaimed site upon which the buildings will stand was put into temporary use as a central public car park pending construction of the City Hall. The extent to which the car park was used made it clear that al-

ternative car parking facilities would have to be provided before the City Hall site could be developed. A decision was made to build two separate three tiered car parks, one for 400 cars in front of the Star Ferry Concourse, and a smaller one for 189 cars on a portion of the City Hall site. Construction of the first portion of covered ways was nearing completion by end of March. Designs were also prepared for covered ways and paved areas leading from Ferry Piers to Connaught Road Central, including a footbridge across the road. Working drawings for the larger tiered car park were completed by end of March, and piling tenders invited. Preparation of working drawings for the City Hall was in progress.

Argyle Street Flats—At the junction of Argyle Street and Waterloo Road in Kowloon, 40 flats (contained in two 10-storey blocks named *Nairn House*) were completed in March.

Schools and Colleges—Tsuen Wan Primary School was completed in August. It is housed on two floors over a covered assembly and play area with stage and adjacent changing rooms and toilets, and comprises eight classrooms and two practical rooms. Four married quarters for teachers adjoin the school in a 2-storey building. A single storey clinic for schools in the district is situated at the other end of this school. Work on the extensions to Grantham Training College was completed in December. The Mission Road Primary School which contains 24 classrooms, art room, housecraft room, woodwork room, covered and roof playgrounds and designed to accommodate 1,080 children was completed in October. At the site of new Technical College, Hung Hom, piling work was completed. An eight month contract for the buildings was signed in February, and work on the superstructures commenced.

In order to speed the building of primary schools, a standard design was prepared to fit into a site of 24,000

square feet. Standard accommodation for 1,080 children consists of 24 classrooms and 3 practical rooms, covered assembly and play space, roof play area, changing rooms and staff rooms.

Hospitals—The first phase of work on Castle Peak Mental Hospital was completed in February. A chest clinic and X-ray section was added to Shek Kip Mei Polyclinic.

Resettlement Buildings—At Shek Kip Mei, 8 blocks, comprising 3,556 rooms, were completed; another block comprising 420 rooms was nearing completion. At Tai Hang Tung, the remaining 2 blocks, comprising 728 rooms, of the 6 blocks in this part of the estate, were completed. 9 blocks comprising 4,236 rooms at Li Cheng Uk were completed in January. Three blocks (1,386 rooms) on Tai Wan Hill were completed before end of 1956; the remaining block was not commenced pending completion of site formation. At Lo Fu Ngam, 4 blocks were under construction.

* * * *

In addition to government construction works, private building development was active throughout the year. On June 1st, new regulations controlling building development came into force. Under former buildings Ordinances the height of the buildings was limited to either the width of the street or $1\frac{1}{4}$ times the width of the street on which it fronted. The new Regulations increase the basic height to twice the width of the street on which the building fronts. Developers immediately took advantage of these increased facilities and buildings of 15 or more storeys are now becoming commonplace. 892 new buildings were completed during the year of which 566 were for domestic use.

HONGKONG COMPANY MEETINGS

HK REALTY & TRUST CO.

Two subsidiaries of the HK Realty and Trust Co. Ltd. (Harriman Realty and Oriental Mortgage) had record years. During the year ended April 30 1957 dividends increased to \$525,000; \$260,000 higher than the previous year. The Chairman's statement reads: The new Buildings Ordinance permits larger buildings to be erected and this consequently gives an upward surge to land values. Two areas which have received more attention than usual from developers are the North Point and the southern end of Nathan Road localities. The lower mid-levels are now over-developed. The demand for cheap flats particularly in areas close to public transport appears to be far from satisfied though a perusal of the advertisements in the Chinese Press would indicate that there is a wide selection.

All departments in Harriman Realty, under the management of Mr. K. B. Allport, have contributed to the increase in earnings. Harriman's are now engaged in further negotiations of the cross-harbour bridge scheme and in a first class hotel.

Oriental Mortgage have usefully employed all the funds available; receipt of dividend from this subsidiary increased. During the year no purchases or sales of property were effected but since the close of the year we have disposed two properties at satisfactory prices. In partnership with a large firm of contractors, we are testing a new form of piling which, if it proves suitable to the local terrain, will form a useful addition to our activities.

In the Profit and Loss Account surplus from working levelled off whilst dividends from subsidiaries almost doubled. The increased figure of interest reflects Oriental Mortgage's increased utilisation of funds. The reduction in Bank interest reflects the reduction in Bank advances. The dividend of 15 cents a share requires \$200,000 more than last year due to the increase in Issued Capital. Appropriations amounting to \$1,693,786 are as follows: pay a dividend of 15 cents a share on six million shares \$900,000; transfer to provision for amortisation and depreciation of property \$400,000; carry forward \$393,786.

LANE, CRAWFORD, LTD.

Mr. A. W. Brown, Managing Director, reported that the net profit for the year ended February 1957, when added to the undistributed profits brought forward from 1955/56, made a total of \$2,260,115 available for allocations. This represented an increase of \$429,839 over the corresponding figure for the previous financial year. Appropriations are as follows: corporation profits tax \$220,000; staff retirement scheme \$82,977; reserve for doubtful debts \$50,000; provision for contingencies \$129,390; staff passages reserve \$34,091; general reserve \$650,000; dividend (\$3 per share) \$750,000; carry forward \$343,657.

At an extraordinary general meeting a resolution increasing the authorised capital from \$2,500,000 (250,000 shares of \$10 each) to \$10,000,000 by the creation of 750,000 additional shares of the nominal value of \$10 each

HONGKONG NOTES AND REPORTS

U.S. Investment in H.K.—Mr. P. Y. Tang, managing director of HK South Sea Textile Manufacturing Company now attending the International Industrial Development Conference in San Francisco, presented the advantage of HK to prospective foreign investors as follows: "The free port of HK is one of the very few which has remained completely faithful to liberal economic policies of free enterprise and free trade. Here, freedom of trade is evident in practically all forms. Duties are confined to five commodities only (liquor, tobacco, hydro-carbon oils, toilet preparations and proprietary medicines and table waters). Available are reasonably good banking, shipping, insurance, warehousing and stevedoring services. A free exchange market is in operation and foreign investors may freely remit profits to any place or repatriate capital any time. Cost of living is quite stable and profits tax, first introduced in 1946, has remained since 1950 at the comparatively low level of 12.5%. Above all, there are freedom of movement, freedom of speech and the rule of law, all so essential to stability and security on which trade depends."

Hongkong is also represented at the meeting by Mr. G. E. Marden, chairman of Wheelock Marden & Company. The conference is sponsored jointly by Time-Life International and Stanford Research Institute. It is being held from October 14 to 18 and attended by 500 leading industrialists, financiers, business executives and research scientists from 26 countries. The theme of the conference is "Investment—Key to Industrial Development."

The Tourist Trade—US banking interests will set up a financing centre here with a fund of about US\$1 million for extending loans to American servicemen in the Far East. HK has been chosen as a focal point for extending the loan because all US servicemen in the Far East can take at least one trip to HK every year. This loan facility will greatly strengthen their purchasing power and bring more business to local shop owners.

In order to develop HK's tourist trade, Mr. J. G. O'Donnell of Pan American World Airways last week suggested that there should be a programme of activities to keep tourists here longer. A tour round the island or the New Territories plus shopping is not enough to hold the interest of tourists for more than three days. Imagination is needed in planning; for example, many tourists see junks and take pictures of them but they have not gone on board and would enjoy going to outlying islands on a motor junk and have meals on board.

In spite of the increasing number of new hotels now under construction in the Colony, Mr. O'Donnell believes that the hotel problem here will get worse when the larger aircraft bringing in more tourists are used. PAA is planning to have, in addition to its first class and tourist class passages, a third class the fares of which will be low enough to make almost everybody in US able to travel abroad and see foreign countries including HK. This third class service will be started when jet planes are put on the routes in a couple of years.

Building Projects—A \$5 million, 13-storey hotel will be built in North Point on a hill-site of 17,000 square feet

opposite the generating plant of the HK Electric Company. In addition to 280 rooms, a dining hall and a ballroom, there will be a swimming pool. Further to the east along King's Road, a 15-storey tenement building will be constructed on the site next to the National Lacquer & Paint Factory. In the same district, another 8-storey block will rise next to the Coca Cola bottling plant. At present are under construction in North Point about six buildings each over 12 storeys high. In Tsimshatsui, an 8-storey building will be erected at the corner of Prat and Hart avenues. On Argyle Street, between Victory and Peace avenues, a 10-storey apartment house is now under construction. These buildings are already on sale at prices between \$10,000 and \$40,000 per flat.

To attract buyers, the company building the 8-storey block next to the Coca Cola plant is offering to stretch instalments over a 10-year period with monthly payments amounting to only \$145 for a \$13,000 flat and \$380 for that of \$34,000. However, upon signing of a contract, the buyer must pay a deposit amounting to 50% of the total contract value; this sum will be returned to the buyer after 10 years plus a small interest. An added attraction is that the 50% deposit is collected as a payment for the buyer's life assurance; if he should die during the 10-year period, his beneficiaries would not have to make further payments but would immediately become owners of the flat and collect the 50% deposit plus interest.

With competition intensifying in the sale of flats, investment companies invent ever more unique payment arrangements and offer other bait to attract buyers. Meanwhile, the difficulty in selling new flats has already forced a real estate company into bankruptcy; this company's almost-completed tenement flats in West Point were auctioned recently for \$222,000 (estimated market price is about \$400,000). Many building projects, previously announced and colorfully depicted on poster, have been quietly abandoned.

Influx of Chinese—On top of heavy net birth increase, of the order of 2½% to 3% on the basis of an estimated 3 million population, the weekly stream of immigrants from China is putting growing pressure on our resources. On the average 1,000 immigrants per week have entered HK during the current year and many believe the above figure to be very conservative. The Chinese arrive without permission from local authorities; but they do arrive. There is a flourishing business in human cargo smuggling, often organised from Macao to where so many intending Chinese emigrants are coming in the first place. Money for human transport is paid at fixed rates, and a certain amount of graft both here and in Macao has mushroomed as a consequence.

While the local authorities remain vigilant and try to apprehend illicit immigrants, the Chinese population appears not much concerned with the rise in Chinese immigrants, and cooperation with the authorities is in this regard very uncommon. One can argue that more immigration will harmfully affect the life of the present settled people in the Colony but there are also arguments advanced which suggest the very opposite. In any case, Chinese emigration continues and will continue unless stern measures are adopted and properly carried out.

It is wrong to term the Chinese emigrants as political refugees; these people are usually issued in China with travel permits—the Chinese authorities being not at all keen on keeping the prospective emigrants at home unless there

was carried. A second resolution capitalising \$2,500,000 and authorising the issue of bonus shares on the basis of one new share for every share held on July 23, 1957, was also carried. The meeting further adopted a special resolution increasing the remuneration to directors from \$2,400 to \$3,000 per annum, and approving a fee of \$4,000 per annum to the Chairman.

are special reasons for retaining them such as technical skills and higher education obtained at leading domestic and overseas institutions. Whether under the 'reds' or under the Kuomintang, or any other tang, the demographic pressure in China is such as to compel a growing number of this fertile people to find a living outside the borders of their fatherland. To ease their conditions abroad, quite a few will plead political oppression etc. at home so as to qualify for better reception or even assistance in their new surroundings. Actually, it is nothing but proper emigration.

Many Chinese have arrived here, by devious and often quite perilous routes, only to attempt further emigration such as to countries in the Asian vicinity or, much better, to South or North America, to Australia etc. Under the guise of students, nurses, visiting business men, tourists, inductors of capital and know-how such as there is, they slowly manage to filter into other countries via Hongkong. A lucrative trade in travel documents, visas, passports and other documents required to move from one place to the other, to eventually come to sit down somewhere and start making money, has been developed here. Bribery and fraud are two of the evils accompanying this so-called trade. Singapore—now more than before regarded as a potential

absorption place for Chinese emigrants—has been longingly eyed by prospective 'refugees' from China, and so has, to a smaller degree, the Federation of Malaya. The three British ruled or protected territories of Borneo have also been singled out for special attention by emigrants in spite of the rather inhospitable conditions in those 'economically retarded' areas. (The word 'backward' is taboo). Everywhere are restrictions on immigrants but that in no way deters the eager emigrants who are meanwhile propagating probably in expectation of better times to come.

Hongkong's public services are heavily taxed by the population increase and while generally they are excellent, by East Asian standards, a further strain will undoubtedly lead to more complaints from the public. Already the ferries, trams, buses are congested to a serious degree, slums are growing as fast as others are being cleared, housing is a pressing and even depressing need (in spite of overbuilding for medium and top breadwinners), education and health services, while ever on the rise, prove inadequate for the milling crowds. Low wages must remain low as so much new labour supply becomes available, and the standard of living of the masses cannot be improved. Too many people, too few jobs in Hongkong. Too many births in China, too slow development of Chinese economy.

BOOK REVIEWS

Erik Lundberg: Business Cycles and Economic Policy

Translated by J. Potter

Published by George Allen & Unwin

London 1957

346 pp., 32/-

Dr. E. Lundberg, Professor of Economics in the University of Stockholm and the former Chairman of the Swedish Government Commission on full employment and monetary stability, offers in this book an authoritative and incisive survey of a number of questions of acute world interest, such as: how the full-employment economy is to maintain its international balance of payments, how the record of the general monetary and fiscal policies of the inter-war years compares with that of the detailed physical controls, import and investment regulations, which have been so popular since 1945. The problems are discussed against the background of a penetrating analysis of Swedish economic history in the inter-war and post-war periods.

The book's main purposes are to determine what statistical and other information is needed to formulate both the objects and the means of government economic policy and then to ask what theoretical tools should be used in order to clarify the issues of economic policy. Inflationary gap analysis, national budgeting techniques, and the theory of economic fluctuations, are examined against the experience of a country in which they are known to have been intelligently applied. Professor Lundberg gives a lively account of Swedish economic thinking and of the economic policy debates in Sweden since 1920, discusses the scope and limitations of national forecasting and budgeting, and assesses the relative merits of general and detailed measures of economic policy.

Coming from an economist of Professor Lundberg's status, who has made the most of the peculiar advantages he has enjoyed, this is a work of major importance. The English edition is not a straight translation, but a revised and adapted version of the original Swedish.

The translation was done by Mr. J. Potter, lecturer in Economic History at the London School of Economics and Political Science.

The book is divided into twelve chapters as follows:

1. The Swedish economy between the two World Wars.
 2. The cyclical sensitivity of the Swedish economy; the experiences of the inter-war period.
 3. Problems of economic instability in Sweden since 1945.
 4. The ends and means of economic policy.
 5. The economic policy debate of the inter-war period.
 6. The ends and means of Swedish monetary policy since 1945.
 7. Old and new aspects of monetary policy.
 8. Inflationary gap analysis and the preparation of national budgets.
 9. The possibilities of fiscal policy.
 10. Wages under full employment.
 11. The post-war policy of regulation.
 12. Economic policy and the functioning of the price system.
- Eighteen statistical tables are included in the text.

Prof. Lundberg's book should be of interest not only to economic historians but also to all economists and politicians who are interested in the implementation of the most advanced kind of modern economic theory in the democratic-socialist Sweden.

E. F. Szczepanik

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Kenneth K. Kurihara: Introduction to Keynesian Dynamics

Published by George Allen & Unwin

London 1956

222 pp., 21/-

This is in a way a sequel to Professor Kurihara's successful Post-Keynesian Economics. It shows the same tidiness of presentation and the same clarity, while the author's models are worked up with care and an admirable economy of assumption.

The book is concerned with macro-economics—the functioning of the economy as a whole, and as a dynamic whole; in particular it deals with the behaviour in time of national

income, employment and prices. Opening with a comparison of the relative merits of the macro-economic method and of the study of the individual firm, the book is in the main a formal analysis of dynamic systems involving discrete and continuous changes, the sequence of causally related events, and the behaviour of macro-variables and aggregative relationships in dynamic settings.

The author's main intention is to provide a coherent and compact study of macro-dynamic analysis in general and particularly of the two outstanding "post-Keynesian" developments in the field—dynamic theories of cyclical fluc-

tuations and secular growth analysis. With this aim in mind he has laid greater stress on the laws of motion than on manipulative technique. This is possibly the first book to carry the student smoothly up into the realms of modern macro-dynamic economics.

The present reviewer has used his book as a textbook for a course in macro-economics delivered to Second Year students. The arrangement proved to be very successful. Kurihara's introduction has undoubtedly filled in a serious gap.

E. F. Szczepanik

FINANCE & COMMERCE

HK EXCHANGE MARKETS

	U.S.\$			
Oct.	T.T. High	T.T. Low	Notes High	Notes Low
7	\$593	592	591½	590½
8	591½	591	590½	589½
9	591¾	591½	590½	589½
10	591¾	591½	590½	589½
11	593	591½	590½	589½
12	593½	592½	590½	589½
D.D. rates: High	591¾	Low	589½	

Trading totals: T.T. US\$4,010,000; Notes cash \$390,000, forward \$2,750,000; D.D. \$350,000. The market was quiet with few changes in rates; speculators assumed a wait-and-see attitude but many inclined to be overbought. In the T.T. sector, gold and general importers absorbed offers from Japan, Laos, and the Philippines. In the Notes market, local stock was large; interest for change over favoured sellers and aggregated HK\$15.50 per US\$1,000. Speculative positions averaged US\$2 million per day. The D.D. sector, continued quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.765—1.75, Japan 0.014275—0.0141, Malaya 1.873, India 1.09—1.085, Vietnam 0.07246—0.0704, Laos 0.072—0.066, Cambodia 0.073—0.072, Thailand 0.2724—0.2688, Indonesia 0.145. Sales: Pesos 410,000, Yen 95 million, Malayan \$390,000, Rupees 350,000, Piastre 9 million, Kip 6 million, Rial 5 million, Baht 3 million, and Rupiah 3 million. The market was active but change of rates was few. **Chinese Exchange:** People's Yuan notes quoted HK\$1.57—HK\$1.405 per Yuan. Taiwan Dollar notes quoted HK\$0.16—HK\$0.158 per Dollar, and remittances HK\$0.154—HK\$0.153.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.47—15.43, Scotland 14.00, Ireland 13.80, Australia 12.28—12.24, New Zealand 14.25—14.10, Egypt 9.50—9.10, East Africa 14.70—14.50, South Africa 15.45—15.40, West Africa 13.50, Jamaica 13.50, Fiji 10.40, Malta 12.50, Gibraltar 13.50, Cyprus 12.50, India

1.1745—1.172, Pakistan 0.77, Ceylon 0.985—0.97, Burma 0.53—0.52, Malaya 1.835—1.827, Canada 6.055—6.00, Cuba 5.00, Argentina 0.125, Brazil 0.065, Philippines 1.745—1.725, Switzerland 1.36—1.34, West Germany 1.37—1.35, Italy 0.0091, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.012625—0.0125, Vietnam 0.07—0.069, Laos 0.072—0.066, Cambodia 0.0735—0.072, North Borneo 1.60, Indonesia 0.131—0.1255, Thailand 0.271—0.265, Macau 1.035—1.01, Japan 0.01495—0.01425.

Gold Market			
Oct.	High .945	Low .945	Macau .99
7	\$259½	259½	
8	259½	258½	
9	259½	258½	
10	259½	258½	Low 268½
11	261½	259½	270½ High
12	260½	260½	

Opening and closing prices were \$259½ and 260%, and the highest and lowest 261% and 258%. The market was quiet with only a small gain in rates; gold importers raised the import fees in Macau by 9 US cents per fine ounce. Interest favoured sellers and aggregated \$1.75 per 10 taels of .945 fine. Tradings averaged 5,700 taels per day and totalled 34,200 taels for the week, in which 9,830 taels were actual cash dealings (2,030 taels listed and 7,800 taels arranged). Positions taken by speculators averaged 13,600 taels per day. Imports from Macau amounted to 8,500 taels. 72,000 fine ounces reached Macau last week. Exports totalled 9,000 taels (6,000 taels to Singapore, and 3,000 taels to Indonesia). Differences paid for local and Macau .99 fine were \$12.80—12.30 and 11.80—11.50 respectively per tael of .945 fine. Cross rates worked were US\$37.88—37.82 per fine ounce; 48,000 fine ounces were contracted at 37.78—37.87 cif Macau. US double eagle old and new coins quoted \$266—264 and 227—226 respectively per coin, English Sovereigns \$62—60 per coin, and Mexican gold coins \$279—277 per coin.

Silver Market: 500 taels of bar silver traded at \$5.90 per tael and 500 dollar coins at \$3.74 per coin. Twenty-cent silver coins quoted \$2.90 per five coins.

Money Market: Since the slight raise of interest rates by local banks, there has been practically no effect on the market. Private financiers also increased interest on loans against mortgage from 15% p.a. to 18% p.a.

HK SHARE MARKET

After the initial sluggishness the turnover returned to the daily average of about half a million dollars. Banks recovered \$7.50 after losing \$12.50 during two previous weeks. Insurance company shares remained steady but quiet; buyers considered prices too high. Towards week-end, Lombards were marked down from \$34.75 n to \$32.50; 1,000 shares changed hands. Dairy Farms continued to gain, up by another 70c during the week. Watsons too improved by 60c with 8,300 shares traded on a single day. Docks edged up to \$54 but profit-taking brought it down to \$53.50 at week-end. Wharves remained steady at \$122 s but there was no buyer. Provident strengthened, 4,000 shares traded pushing price up to \$11.90. Wheelocks recovered slightly during the week and closed firm. Cottons were steady but trading slowed down. Utilities retained steady demand and most shares recovered from drops of the previous week. Cement however continued to dip, lost another 50c with more sellers than buyers.

It seems that trading in the local share market is going to remain at the present volume if cash earnings from popular shares are not increased. With interest rates for loans against shares varying from 7% to 8% per annum, blue chips yielding 3% to 8% p.a. are no longer attractive.

Dividends: Yangtsze Finance Co.: 65 cents per share for the year ended March 1957. Shanghai Loan and Investment Co.: 20 cents per share for the year ended March 1957.

Share	Oct. 4	Last Week's Rate			Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest	Closing			
HK Bank	852.50	862.50	s	855	+\$7.50	\$50	5.81
Union Ins.	90.50 n	91 s	90 s	90 s	-50c	\$3.40	3.78
Lombard	34.75 n	34.75 n	32.50	32.50	-\$2.25	\$2	6.15
Wheelock	7.45	XD 7.15	s	7.40	XD 7.15	s	5.50
HK Wharf	122 s	—	—	122 s	steady	\$6	4.92
HK Dock	53.50	54	53.50	53.50	firm	\$2	3.74
Provident	11.70	11.90	11.70	11.80 b	+10c	\$1	8.47
HK Land	34	34.50	34.25	34.50	+50c	\$3.50	10.14
Realty	1.40 n	1.40	1.375	1.425 s	steady	15c	10.53
Hotel	14.90	15	14.90	15	+10c	\$1	6.67
Trams	23	23.20	23.10	23.20	+20c	\$1.70	7.33
Star Ferry	131 n	—	—	131 n	steady	\$9	6.87
Yaumati	101	XD 100 n	102	XD 100 n	+\$1	\$7.50	7.50
Light	18.60	18.90	18.70	18.90	+30c	\$1.10	5.82
Electric	28	28	27.80 b	28	steady	\$1.80	6.43
Telephone	27.10	27.50	27.20	27.50	+40c	\$1.50	5.45
Cement	27.90 s	27.50	27.40 s	27.40 s	-50c	\$4	14.59
Dairy Farm	15.70	16.40	15.90	16.40	+70c	\$1.63	9.94
Watson	12.70	13.30	12.90	13.30	+60c	\$1	7.52
Yangtze	6.30	6.45 s	6.30	6.30	steady	65c	10.32
Allied Inv.	4.15 s	—	—	4.15 s	steady	25c	6.24
HK & FE Inv.	9.90 n	9.80	9.80 b	9.80 b	steady	80c	8.16
Amal. Rubber	1.55	1.55	1.525	1.55	firm	28c	18.06
Textile	4.375	4.40	4.375	4.40	+2½c	50c	11.36
Nanyang	9.55 s	—	—	9.55 n	steady	\$1	10.47

HONGKONG STOCK EXCHANGE IN SEPTEMBER

September opened with prospects of greater activity but these were dimmed after the first week, and trading continued upon a fairly light scale with prices inclined to slip slightly; the market however was steady at month-end. The announcement from London that bank interest was raised had its effect upon the local market and the day following the news, trading was restrained; a less gloomy outlook was noticeable subsequently, although investors appear reluctant to extend their commitments and await an official statement by the local banks on interest rates.

Banks and Insurances: Demand for Hongkong Bank and Union shares fell off but there was no noticeable weakening in rates. A few Lombards changed hands at below \$35. **Investment Companies:** Allied Investors were enquired for and recorded the highest volume of business in this group. **Shipping:** Apart from Wheelocks, trading in this section was negligible. **Docks & Wharves:** Hongkong Dock shares were the outstanding feature in this section; the sale of a large piece of land in Kowloon stimulated prices. Kowloon Wharf and China Provident shares were enquired for and light scale trading resulted. **Lands & Hotels:** Trading was upon a moderate scale at lower levels. **Public Utilities:** China Lights and Rights were in the lead, and Yaumati Ferry shares continued in demand. Prices were fractionally lower. **Industrials:** Only light scale trading was reported; Cements appear to be facing severe competition and a drop of 10% in the rate was recorded. **Stores:** Demand for shares in this group slackened but prices maintained. The slight increase in the interim dividend was a pleasant surprise to Dairy

Farm shareholders. **Miscellaneous:** Business was negligible. **Cottons:** Demand was not sustained and prices fractionally lower. **Rubbers:** Amalgamated were particularly active at slightly higher levels and a fair number of Ayer Tawahs were dealt in.

Dividend announcements were made by Douglas Steamship Co., Hongkong & Yaumati Ferry Co., Dairy Farm, Ice & Cold Storage Co., Sincere Co., Eastern Asia Navigation Co., and Wheelock Marden & Co.

Business during the month: \$11,032,406. Business in 1956: \$211,002,275. Business during Jan./Sept. 1957: \$122,337,282. Business in September, 1956: \$12,370,100.

BUSINESS DURING THE MONTH

	Qty. of Shares
H.K. Govt. Loan 3½% (1934 & 1940)	\$10,000
H.K. Bank	370
Bank of East Asia	180
Lombard Insurance	296
Union Insurance	1001
Allied Investor	9,000
Yangtze	200
H.K. & Far East Inv.	450
Union Waterboat	450
Asia Navigation	5,000
Wheelock Marden	73,880
Wharf Co.	848
C. Provident	16,430
" (Rts.)	15,962
H.K. Dock	21,900
Shanghai Dock	652
H.K. & S. Hotels	14,800
H.K. "Land	32,624
Shanghai Land	3,000
Humphreys	5,365
Realty	60,000
H.K. Tram	19,050
Star Ferry	100
Yaumati Ferry	7,094
China Light	84,238
" (Rts.)	29,915
H.K. " Electric	32,829
Macao Electric	3,531
Telephone	26,036
Cement	18,964
Rope	500
Dairy Farm	28,645
Watson	17,144
Lane Crawford	2,900

Qty. of Shares	
Sincere	
China Emporium	195
Kwong Sang Hong	225
Wing On	8
China Entertainment	20
Construction	500
Vibro Piling	1,500
Shanghai Gas	500
Textile	3,000
Nanyang Mill	14,750
	7,500
Rubber	
Amalgamated Rubber	375,700
Ayer Tawah	21,228
Java-Consolidated	134
Rubber Trust	22,754
S'hai Kelantan	1,900
Sungala	4,480

SINGAPORE SHARES

Early in the week ended October 4th, improved rubber price led to a recovery in all sections. However, the higher commodity price was only of short duration and shares gradually drifted back to lower levels. The volume of business was only mediocre and markets closed quiet and hesitant.

Metal Box announced an offer of 1,500,000 shares at \$1 each. The offer is made to shareholders in the proportion of one for every three held. The new shares will not participate in any interim dividend which may be declared in respect of the year ending 31st March 1958, but otherwise will carry full dividend rights for that year. Profits for the current year are likely to be lower than those of the previous year, but will be possible to pay an interim dividend of 5%, less tax, on the present capital of \$4,500,000 followed by a final dividend of 10%, less tax, on the capital as increased to \$6,000,000.

Singapore Industrials had only small exchanges at lower levels; there was a lack of buying interest but no heavy selling pressure. Exceptionally, Straits Times were in demand at \$3.90, Wilkinson Process up to \$2.60 and Hume Prefs. and Ords. at A23/- and A6/- respectively, all four remaining aloof from the general downward tendency. At the close Singapore Cold Storage were wanted at \$1.06, United Engineers at \$1.35 and McAlisters at \$1.75.

Petalings firmed to \$3.30 and Rautau to \$2.30 but both fell off to sellers at \$3.25 and \$2.25 respectively. Sungei Way, on rumours of a better output for the quarter ending September, remained steady around \$1.69.

Berjuntai eased to 18/1½ sellers and Lower Perak to 18/3, but Kuala Kampar and Austral Amalgamated remained steady at 43/ and 15/10½ respectively. This section had an unusually quiet week.

London registered tins were active, particularly Siamese Tin, Killinghall and Meru.

Local rubbers eased and had only a small turnover. Of London registered

companies Ledang Bahru made some recovery with business up to 3/5½% arrival and F.M.S. Rubber improved to 40/3 after the bid for 50,000 units at 40/6 by Federated Securities.

There was little turnover in local loans. The yield available from taxables is now approximately 6%.

TRADE REPORTS

Entrepot trade during the past fortnight was active with better demand from SE Asia for Japanese, European and American merchandise and more enquiries from UK, Europe and Japan for produce. Trading volume in the local commodity market however did not show any impressive increase possibly because importers in most SE Asian countries could not get enough foreign exchange to cover their purchases and at the same time considered prices for many items from here too high. Stock of many popular items was short but local dealers hesitated to book too much supply from Japan, UK, US and Europe because indents in most cases were higher than market quotations here. On the produce market, trading was restricted by the lack of adequate supply from China and handicapped by low counteroffers from buyers.

Exports of HK products to UK, Europe and US remained active but shipments of metalware, cotton textiles and knitwear to SE Asia were still handicapped by restrictions on imports maintained by various governments to protect their domestic industries.

Beginning the first of this month, leading banks in HK raised interest rates to 7½% p.a. on inward bills, 7% p.a. on outward bills, 6½%-7% p.a. on overdrafts, 7%-8% p.a. for loans against shares, 8%-12% p.a. for mortgages against real estate. Chinese native banks and private financiers have not yet increased their interest rates which are already higher than those charged by leading banks; current rates are 8%-12% p.a. on short term credits and 13%-18% p.a. on mortgages. The increase in rates on inward and outward bills has no immediate bad effects on entrepot trade but higher rates on overdrafts are squeezing the profit of local industrialists because most of them depend on heavy overdrafts to finance their business.

HK/China Trade—Imports of vegetables from Canton were curtailed on account of domestic shortage there. Shipments of live hogs, poultry and other foodstuffs to the local market however remained heavy. In addition, there were small consignments of newsprint, embroideries, glassware, silk piecegoods, tea, chinaware, wines, drawn lace work and salt. China's exports transhipped here exceeded 2,000 tons during the period including 500 tons of cement to North Borneo; 300 tons

of groundnut oil, rosin, chinaware, paper and wire nails to Thailand; 100 bales of vermicelli to Cambodia. From the local market, China bought only a few small lots of metals and pharmaceuticals; firm prices here restricted the volume of these purchases.

HK/Japan Trade—Japan's purchase of produce from here covered mostly forwards; quantities involved small because buying interest was not keen. Orders from Japan for scrap iron also limited to small lots. Exports during the fortnight amounted to only about 2,000 tons. Prospects of improvement not very bright because Japan is not only negotiating with China for direct supplies but also trading more and more direct with SE Asia. Japan is also trading with North Korea; a recently concluded deal covers £6 million worth of goods each way including Japan's exports of iron sheets, iron pipes, cables, brass and aluminum products, electric wire and cables, communication instruments and chemicals against imports of Korean pig iron, soya bean, chemical and industrial raw materials, tobacco and minerals.

Imports from Japan however remained heavy last fortnight; over 16 vessels brought here more than 10,000 tons of merchandise including cement, cotton textiles, chinaware, paper, fertilizers, woollen yarn, bean oil, fruits and 50 trucks. The trucks were transhipped to Taiwan.

An exhibition of Japanese products in HK will be held from October 25th to November 7th in the Man Yee Building. The exhibition is sponsored by the Japan External Trade Recovery Organisation (JETRO) with the support of the Japanese Government. Over 200 Japanese manufacturers and traders will participate in the exhibition. Immediately after the exhibition, JETRO will set up a permanent show centre in the Man Yee Building. Exhibits will include consumer goods and light machinery.

HK/UK & HK/Europe Trade—Cargo movements between HK and Europe (including UK) remained active. Imports from UK totalled 3,000 tons and from Europe, 2,000 tons; woollen yarn and piecegoods, metals, automobiles, wines and provisions constituted the bulk of the tonnage. Shipments of HK manufactures and produce to UK amounted to 4,000 tons and to Europe, 1,500 tons. Exports to UK will remain heavy throughout this month in view of the large number of orders reached here recently for cotton textiles, shirts, underwear, gloves, rubber shoes and other HK manufactures. Exports to France curtailed chiefly due to restrictions introduced by authorities there on imports of items such as cotton textiles, rayon piecegoods, silk piecegoods, toys and a number of sundries. On the other hand, Sweden bought more rattanware, plastics products and rubber footwear from here.

HK/US Trade—About 3,000 tons of petroleum products, blackplate, tobacco,

piecegoods, dyestuffs, automobiles, machinery and equipment, toilet articles and provisions reached here from US ports. Exports of HK manufactures as well as Taiwan and Japanese products totalled 3,000 tons; principal items included gourmet powder, cotton textiles, plastics toys, torch, glòves, silk piecegoods, rattanware, tea, graphite and shirts. According to members of the US trade and industrial delegation during their 2-day visit to HK, many big problems have to be overcome before trade could be increased between US and HK.

HK/Thailand Trade—Thai importers sent here orders for rosin, structural steels, paper, sugar, glassware, raw silk and foodstuffs but quantities involved were not very substantial chiefly due to the credit squeeze on import financing and the rise of HK dollars in Bangkok. Import of rice remained heavy, amounting to about 2,000 tons during the fortnight. There were also salt, beans, live cattle, timber and cow hide from Bangkok but consignments small.

HK/Indonesia Trade—Over 1,500 tons of cotton textiles, paper, enamels, ware, canned foods, garlic and sundries were shipped to Djakarta and other Indonesian ports. Demand from Djakarta for paper, cement, steel products and cotton textiles remained keen during the fortnight but only a small number of transactions concluded because importers there considered purchases from here too expensive especially after the rates for exchange certificates in Djakarta further advanced to 245 rupiahs for 100 rupiahs. This increase in the price for exchange certificate however enabled exporters there to ship more sugar, rubber, rattan and groundnut oil to the local market at attractive prices.

HK/Malaya Trade—Singapore, Kuala Lumpur and other Malayan ports provided steady demand for cotton textiles, enamelware, shirts, garlic, green pea, sugar, canned food and other foodstuffs from here; exports totalled 4,000 tons during the fortnight. Imports of charcoal, firewood and rubber only about 500 tons. Prospects of further improvement in exports to Malayan markets uncertain.

HK/Philippines Trade—Manila made moderate purchases of green peas, structural steel and chemicals from here in addition to HK manufactured cotton textiles, plastics products and napery. Authorities there maintained strict import restrictions and granted foreign exchange only for essential imports.

HK/Korea Trade—Exports to Pusan registered marked improvement to about 3,000 tons consisting chiefly of paper, metals, rayon yarn, wooltops and chemicals. More orders for these items reached here during the fortnight; many transactions however were restricted by inadequate stock here. Korean cotton yarn remained popular with local weavers and knitters.

HK/Taiwan Trade—Imports of sugar, live pigs, ginger, onion and other staples remained on an average of about 300 tons per week. With the exception of 50 Japanese trucks transhipped here to Taiwan, cargo movements from HK to Pusan and other Formosan ports were quiet.

Taiwan representatives and Japanese officials last week agreed in Tokyo to expand trade between the two countries to US\$92.6 m. annually each way covering Japan's exports of fertilizers, iron and steel products, machinery, rolling stock, communication equipment, ships and textile goods against Taiwan's exports of raw sugar, rice, banana, canned pineapple and salt. Meanwhile, in Peking, Japanese Socialist Party delegation and Chinese officials declared jointly that foreign interference in Taiwan was an obstacle to peace and stability of Asia! Taipei officials had previously tried but without success to persuade Japanese businessmen to cut trade ties with Peking. The result was that last year, Japan turned to China for the supply of banana.

HK/Cambodia Trade—Phnompenh shipped here about 2,000 live hogs during the fortnight; there were also beans, maize, sesame and kapok but quantities moderate. Exports to Cambodia declined because Phnompenh curtailed purchases to reduce the deficit accumulated during the past 9 months. Orders reached here covered only limited quantities of structural steel, industrial chemicals, HK cotton yarn and Japanese grey sheeting.

HK/Laos Trade—Structural steels, industrial chemicals, cotton yarn and knitwear retained steady demand from Vientiane but quantities involved were insignificant because authorities there maintained strict control over the granting of foreign exchange for purchases from here.

HK/Vietnam Trade—Trade between HK and Saigon was quiet; authorities there restricted imports mostly to purchase direct from US, Japan and other manufacturing countries. During the fortnight, HK shipped only about 100 tons of rattan furniture, vacuum flask and foodstuffs to South Vietnam.

Imports from Haiphong also limited to small lots of taro chips, rice, cow bone, beans and medicinal herbs. Orders from Haiphong covered insignificant quantities of paper, industrial chemicals and dyestuffs.

HK/Burma Trade—Exports to Burma improved with more orders from Rangoon for alum, menthol crystal, paper, sugar, cotton yarn, enamelware, plastics products, groundnut oil, wheat flour, old newspaper, cosmetics and toilet articles. With the exception of groundnut oil, purchases of other items were limited to small quantities; Rangoon importers could not get sufficient foreign exchange to cover all their purchases.

HK/Ceylon Trade—Remained quiet; exports covered by previous purchases

totalled 700 tons consisting chiefly of dried chilli, garlic, enamelware, plastics products, rayon products, cotton textiles, chinaware, green pea and camphor tablets.

HK/Australia Trade—Australia shipped here 1,400 tons of dairy products, frozen meat, wooltops and wheat flour but took from here only 900 tons of woodoil, firecrackers, cotton textiles, shirts, plastics products and rattanware.

HK/India Trade—India's new policy of cutting imports of a long list of consumer goods to protect its domestic industries further depressed the already slow trade between HK and India. Consequently exports totalled only 150 tons consisting chiefly of cassia, rayon products, chinaware and paper. Imports of cotton yarn and cloth sluggish on account of weak demand here for Indian products.

HK/Pakistan Trade—Imports of Pakistan cotton yarn further declined on account of high cost. Exports quiet.

HK/North Borneo Trade—About 1,000 tons of cement, structural steels, asbestos roofing sheet and paint were shipped to North Borneo. In return, dealers brought back 2,000 tons of firewood, timber, coconut, and rubber.

HK/Africa Trade—East Africa sent here 2,800 tons of raw cotton, groundnut oil, groundnut, cottonseed oil, beans, tobacco and ivory; exports to that territory amounted to about 500 tons consisting chiefly of shirts, cotton textiles, toys, plastics products, vacuum flask. Imports from South Africa totalled 1,000 tons; principal items were groundnut oil, canned food, fruits, frozen goods, tanning extract and cow hide. Exports of HK manufactures to South Africa remained at a weekly average of 500 tons. Demand from West Africa improved; export during the fortnight totalled 200 tons consisting chiefly of enamelware, rayon products, and cotton textiles.

HK/South America Trade—Department of Commerce and Industry last week announced that HK manufacturers exported to British Guiana will enjoy preferential tariff only if covered by imperial preference certificates.

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China Produce—The market was active throughout the fortnight with steady demand from Japan, UK, Europe, Australia and other buyers. A large percentage of the business however was concluded in forwards covering particularly items difficult to get from China—cassia, lemon grass oil, woodoil, coir fibre, raw silk, spun silk, rosin, bamboo cane and bee wax. In view of the fact that Japan, UK, France and West Germany are developing more direct trade with China, demand from these countries for produce in the local market will not be keen; Japan is also buying beans, sesame, maize and aniseed oil direct from SE Asia.

Woodoil retained steady demand also from Canada, Taiwan, Australia, New Zealand and local manufacturers; quantities purchased were not very substantial. Towards last week-end, price for woodoil in the local market remained steady although Canton had marked down export floor price. Groundnut oil however declined slightly because heavy supply arrived from Africa, China and Indonesia while Rangoon traders liquidated part of their holdings here after they had absorbed about 8,000 tons of this item from UK, Europe, China and HK during the past few weeks. Bean oil too eased especially after new supplies reached here from Japan. Other popular items were citronella oil, alum, garlic, soya bean, green pea, feather, teased cake, tea, menthol crystal, camphor products and realgar.

Metals—Firmer prices here discouraged Canton from absorbing steel plates from the local market; orders covered only small lots of tinplate and waste waste. There were also enquiries from Canton for round bars but buying offers too low to interest dealers. HK manufactured round bars and other structural steels retained very keen demand from Thailand, Laos, Cambodia and Philippines; prices firmer than last month. Demand was keen from Cambodia for pipes, iron wire rod and realgar.

from Burma for galvanized iron wire; from North Borneo for structural steels and pipes; from Korea for pipes and steel plate; from Indonesia for steel plate. But many orders fell through on account of low buying offers. In spite of the fact that local prices are in most cases lower than new indents, buyers still consider quotations too high. When prices dropped below cost in the local market several months ago on account of heavy imports, the dip was sharp. In contrast, recovery at present is very slow because buyers are taking the below-cost liquidation prices as a bargain standard.

Paper—Korea remained keen in newsprint, sulphite, tissue, manifold, cellophane, glassine, aluminum foil and duplex board but limited supply of US and European goods restricted the trading volume. Thailand, North Vietnam, Indonesia, Burma also increased purchases of printing, packing and writing paper from here but interest was centred chiefly on Chinese and Japanese products and the volume of each order limited by the lack of sufficient foreign exchange in these countries.

Prices for newsprint in ream, m.g. pure sulphite, manifold, greaseproof, cellophane, glassine improved on short stock; aluminum foil firmed but market quotations still below cost; newsprint in reel, woodfree printing and duplex board remained steady although European indents were marked down slightly. Taking advantage of the slight drop in indents, dealers here booked replenishments of these three items from Europe during the fortnight.

Pharmaceuticals—Demand from Korea, China, Taiwan and Thailand was centred on a few items including

penicillin tablets, penicillin crystalline injection, dihydrostreptomycin, sulfonamides, aspirin powder, phenacetin, salicylic acid, santonin crystal, glucose, potassium iodide, vitamin powders, quinine, balsam talu and mercurochrome crystal. Many transactions fell through either due to the lack of adequate stock or on account of low buying offers.

Local demand was quiet. Strict measures adopted by Chinese Customs across the border at Shum Chun against smuggling as well as taking into China by visitors of various luxurious items, consumer goods and patent medicines indirectly affected the local pharmaceuticals market. Items particularly affected are antibiotics, liver extract injections, A.C.T.H., isoniazide tablets, saccharine and multi-vitamin capsules which used to enjoy very popular demand from smugglers.

Industrial Chemicals—Taiwan, Laos, Korea, Cambodia, North Vietnam and Philippines enquired for soda ash, sodium bicarbonate, sodium nitrate, acetic acid, citric acid, shellac, formalin, lithopone, chloride of potash, gum arabic and gum copal but most transactions fell through chiefly due to low buying offers. Local demand covered sodium bicarbonate, acetic acid, lithopone, sulphur powder and gum arabic but quantities involved insignificant.

Sulphur powder dipped under heavy stock, caustic soda eased due to the lack of demand and zinc oxide was sluggish; however prices for other items were steady on high replenishment cost.

Cotton Yarn—HK products retained demand from Laos, Cambodia, Burma and Philippines in addition to heavy consumption by local weavers and knitters. Pakistan brands firmed on increased indents but buyers refused to pay higher prices; consequently market quotations, although improved, were still below cost discouraging dealers here from booking more supplies from Karachi. Korean yarn retained steady local demand especially after new indents were marked down. Japanese brands were quiet but steady on increased replenishment cost.

Cotton Piecegoods—HK grey sheeting attracted orders from Philippines in addition to steady demand from UK, US, Africa and other markets; local demand continued strong. Manila also enquired for HK drill but purchases covered only limited quantities; prices failed to improve. Chinese grey sheeting favoured by Indonesia; only a small lot transacted. Japanese grey absorbed by Cambodia; prices firmed on increased cost. Japanese white shirting remained popular with local garment factories but prices weak under recent heavy imports.

Rice—Better local demand and firmer Bangkok quotations kept prices for Thai rice steady at the beginning of the month but towards end of last week the market was easy under heavy

supply and marked-down indents; Bangkok also increased export quota for the next three months. Cambodia rice firm on short stock and curtailed supply. Chinese products of various grades steady on low stock and good local demand.

Wheat Flour—HK brands were kept steady by local consumption and enquiries from Burma but imported brands remained weak under heavy supply. Cost of Australian flour was marked up but quotations in the local market failed to improve.

Sugar—Supply still exceeded demand. Taiwan granulated fine sugar first improved on orders from Thailand, Singapore and Burma but fresh arrivals and large stock here depressed the market. HK granulated also marked down although Singapore renewed its purchases from here. Brown sugar of Philippines and Indonesian origins eased under new arrivals.

Cement—Competition between Japanese and Chinese products continued to keep prices here at low levels: \$100 to \$103.50 per ton overside for Chinese products and \$110 to \$115 for Japanese brands. HK brands steady on strong local demand and exports to North Borneo. Indonesia absorbed Chinese and Japanese cement from here but quantities involved small. Imports from Japan during the fortnight remained heavy but from China restricted.

Knitting Wool Yarn—Export and local demand for woollen knitting yarn improved. Prices for British and Dutch products firmed to \$12.50-\$15.30 per pound retail for pure wool coarse yarn, and to \$15.50-\$18.30 for fine yarn. Hundreds of knitting shops in HK and in Kowloon have started to take orders for various kinds of sweaters at prices varying from \$30 to \$40 each which compare favourably with similar imported goods costing about \$50 to \$70 each.

Live Fish Export—Live tropical fish are being exported to Japan, Singapore, Australia, New Zealand and US by air. The fish are placed in plastic bags which hold a fraction of an inch of water and a little damp moss; oxygen is pumped in regularly during the trip. A single consignment usually consists of 6,000 fish; the most expensive variety costs \$10,000 per 100.